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NEWS SUMMARY

GENERAL

ngola: MPLA aim denied

onas Savimbi, the Unita , has categorically denied he coastal town of Novo do has fallen to the rival an liberation movement, oviet-backed MPLA.

's that after Unita's former rs, the FNLA, abandoned wn, some 500 Unita troops rushed in. It seems likely the area is now being y contested. The towns of and Santa Combo have to the MPLA but Dr. bi claims there is no threat iambo, the Unita capital. Page

question of recognising MPLA Government could itate a crisis within Portu- sixth provisional Govern- with Major Antunes, the ist Foreign Minister, ing the move, while the ar Democrats are firmly ed. Page 4

ia promotes banese truce

has persuaded Mr. Rashid ni, the Lebanese Prime ter, to withdraw his ation. Palestine Liberation troops are now patrolling loslem districts of Beirut Mr. Abdel Halim iam, the Syrian Vice- er, is heading a delegation is trying to persuade tian leaders to agree to the scus-sponsored solution to ine-month crisis. Back and 5

ucial cod talks

Wilson has cleared his diary o-day's crucial stage in the war talks with Mr. Geir grimsson, the Icelandic e Minister, who may wish to n home this evening. Back

rby favourites

y County are 3-1 favourites ne FA Cup with bookmakers Coral after their win over rpool. Second favourites are chester United, at 7-1. Some Liverpool supporters caused rouble on the first British soccer specials since August BR will consider to-day her to restore the service. or Bailey, Page 2

l roof protest

prisoners came down from roof of top-security Wake- jail, West Yorks., after ng a protest in sympathy Frank Stagg, the IRA man is now in the 43rd day of unger strike in the prison ital.

lice box fire

hen put out a blaze after a t-in at an uninhabited police m box in Flanshaw, Wake- West Yorks.

ar on rabbits

National Farmers' Union, ing that a rabbit population is costing Britain about m. a year in agricultural s. is urging East Anglian owners to make February a bit month" with an all-out tun and ferreting campaign.

efly . . .

da celebrated the fifth versary of President Idi 's rule with its biggest show of military hardware ired from the Soviet n.

s in Scotland, Humberside East Anglia were badly hit heavy snowfalls and icy ies.

humbria police launched an r investigation after fire id the assembly hall of Long on Middle School, Newcastle- yne.

ington and Chelsea bond- er wins the week's £50,000 mium Bond prize with No. 559487.

vision notches up its golden ee to-day. Fifty years ago Logie Baird first demon- ed his invention to scientists.

BUSINESS

First N. Sea oil deal soon

● DETAILS of the first North Sea oil participation agreement are expected to be announced by the Government soon. Negotiations are said to be at an advanced stage with a number of companies, but a deal with one of the partners in the Thistle Field consortium is thought to be imminent. Back Page

● GROCERY prices have risen sharply this month, with the FT grocery prices index up 6.43 points to 208.33—an increase of about 3.2 per cent. Page 11

Consumers are more optimistic

● CONSUMER confidence in the financial outlook rose sharply in the month to the beginning of January, according to a survey by the British Market Research Bureau. Page 26

● THE GOVERNMENT is reluctant to add to the burden of personal taxation, Mr. Anthony Crosland has told a local government conference. Back Page

Bid to relax car sale controls

● FINANCE HOUSES Association and the Motor Agents Association are to make a joint attempt to win relaxation of hire purchase controls on cars, following indications that January car sales figures may be 20 per cent down on last year.

● NATIONAL SAVINGS withdrawals for December overtook receipts for the first month in 1975 by £70.5m. National Savings Bank repayments were £20.8m. against £13.7m. and Trustee Savings Bank withdrawals £20.8m. against £26.6m. Page 26

● BUILDING Societies have begun 1976 in such a strong position as regards funds, that the present momentum of lending can be maintained for the next few months even though receipts fall off according to the Building Societies Association. Page 27

Sugar beet target reached

● BRITISH SUGAR CORPORATION says it has achieved its target acreage of sugar beet of 510,000 acres this year. It hopes to produce over 1m. tonnes more sugar this year, thus providing half the total supplies needed. Page 4

● BSC is to spend £80m. over the next two years improving its basic oxygen steelmaking plant at Lackenby, South Teesside. Page 4

● NCB meets to-day to consider the National Union of Mineworkers' demand for further exploration and development of the Langwith colliery in Derbyshire, which the Board wished to close as uneconomic. Page 11

● MOVES to obtain a Stock Market quotation are being made for Hambro Life Assurance, with possible flotation in the early summer. Back Page

● FEDERAL DEPOSIT Insurance Corporation has a list of 350 U.S. banks—most of them small—with financial problems. Page 23

COMPANIES

● BURTON Group sales for the first 18 weeks of the current year are 9 per cent. ahead, say Group joint chairmen. Page 22

● COMPAIR has started the year "quite well," after the "outstandingly good" results of last year, says chairman. Page 22

Labour split likely to widen on economic strategy

BY RICHARD EVANS, LOBBY CORRESPONDENT

THE growing divisions in the Labour movement are likely to widen this week as Ministers prepare to defend their economic strategy and to resist Left-wing demands for an early reflation of the economy.

The anxiety of the Left was shown by Mr. Ron Hayward, Labour Party general secretary, who spoke yesterday of the "deep reservations" in the movement about the Government's general economic policies.

"We must cut the level of unemployment and we must begin to get the economy on the move again," he declared.

Mr. Hayward, an increasingly *influential general secretary who* sees his main task as the promotion of conference policies, again pressed for selective import controls when he spoke at a Labour local government conference at Cardiff.

The record level of unemployment has been put on the agenda of to-day's meeting of the TUC/Labour Party Liaison Committee. It will also be discussed by the party's National Executive on Wednesday.

At both meetings, the present broad concensus within the Labour movement over counter-inflation policy is expected to come under severe strain.

But despite trade union anxieties, there is no immediate threat to the agreement between the Government and TUC on wage restraint. Negotiations on the next phase of the policy will not start for some weeks.

The package of measures trade union leaders will be demanding to-day includes more widespread import controls, higher pensions, a six-month ban on dismissals of 200 or more workers in assisted areas and 400 or more elsewhere.

The TUC also wants the Government's temporary employment subsidy to be increased from £10 to £20 a week.

In a political threat to the Government will come after Thursday's Commons debate, when both the Conservatives and the Labour Left will combine to attack the present level of unemployment.

The Government's business managers were working yesterday on the wording of their motion in an attempt to minimise a Left-wing rebellion and avert defeat.

Mr. Norman Atkinson, a leading Left-wing Tribunite MP, *yesterday challenged the Government* to introduce unorthodox Socialist policies "which would not interfere with a reduction in the rate of inflation but at the same time could avoid the destruction of the Labour movement."

Forecast

He forecast in a BBC radio interview that unless there was a change of Government economic policy and the level of unemployment was curtailed, the Conservatives would be *returned* at the next election with a massive majority.

All the indications at the week-end, after the Friday speech by Mr. Roy Jenkins backing Mr. Healey's counter-inflation policy, were that senior Ministers were closing ranks in the face of growing party criticism.

Mr. Wilson told the Cardiff local government conference on Saturday that unemployment would not fall significantly for many months, but he gave an assurance that there were no plans to cut public expenditure immediately. To do so in the present unemployment crisis would be "callously irresponsible."

He said the Government's task was to contain as far as possible the impact on Britain of the world-wide *increase* in unemployment; to mitigate the impact on school-leavers and other young people; to retrain people for more productive employment, and to return to full sustained employment by new investment and assured economic growth.

The speech, although primarily aimed at a Labour audience, was also a response to growing Conservative attacks on the Government's handling of the economy.

Mr. James Prior, "shadow" Employment Secretary, accused the Government at the week-end of stoking up inflation with the social contract and with "vast public spending increases."

He said in a letter to Tory trade unionists that Labour had no strategy for escaping from the spiral of higher inflation and higher unemployment, and he promised to present a "powerful case" against the Government in Thursday's debate as part of a more aggressive stance by the Opposition.

Mr. Prior and Sir Geoffrey Howe, "Shadow" Chancellor, will be the main Opposition speakers in the debate and Mr. Healey, Chancellor of the Exchequer, and Mr. Michael Foot, Employment Secretary, will defend the Government's policies.

The prospects of a Government defeat on Thursday cannot be judged until the terms of the Government motion are known and tactics decided by the Tribune Group of Labour MPs. Up to 20 Left-wingers have said they will vote against the Government or abstain.

John Elliott adds: TUC leaders will at to-day's liaison committee meeting make it clear that they are calling for selective measures against unem-

Continued on Back Page

Government likely to limit dividend capital for BSC

BY ADRIAN HAMILTON

THE GOVERNMENT, which has funded a major part of British Steel's recent losses through an increase of around £350m. in its public dividend capital since last March, is *now* thought to have decided to restrict greatly this source of finance over the coming year.

This, at least, appears to have been one of the central reasons for Mr. Eric Varley, the Industry Secretary's, intervention last week to persuade the unions to accept some kind of commitment to cut labour costs.

The Government's hardening attitude on public finance arises largely from its more general determination to cut public expenditure and subsidies to nationalised industries in the coming years.

It is also known to feel that further offerings of public dividend capital (which carries no direct interest obligations) to steel could be difficult to justify in Parliament unless it could be shown that both management and unions in BSC were making progress in putting their own house in order.

A sudden clamp-down on Government funds, however, could prove extremely difficult for the corporation, whose losses are now running at some £8.4m. a week. BSC is beginning to see *a limit to its borrowing capacity.*

The exact state of the Steel Corporation's finances and borrowings have not yet been revealed, although the Department of Industry is expected to make a statement on the situation soon.

However, Mr. Bob Scholey, BSC's chief executive, did reveal at the end of last year when he asked for the unions to cut costs that BSC's borrowing had reached a staggering total of more than £1.8bn. and that a further £1.5bn. would be required by March 1977 unless action were taken.

Steel and tinplate production in South Wales should be back to normal by the end of this week after workers at four plants there decided to return to work following the agreement last Friday on labour economies between the British Steel Corporation and national union leaders. Labour News Page 11

This represented a near doubling of the corporation's debts during the current financial year excluding the original £500m. of launching capital as amended in 1972.

A major part of the £800m. or more increase over the last nine months has come in the relatively cheap form of continuous increases in BSC's public dividend capital, which now appears to stand at around £800m., compared with £545m. at the end of the last financial year.

In addition, the corporation has been able to gain some £80m. in European finance for new investment as well as additional funds from the National Loans Fund, including a recent £70m. loan from the Government for steel stocking (divided 45:55 between dividend capital and National Loans).

Further long-term funds at relatively low rates of interest can be expected from the same sources. But any restriction on public dividend capital must affect its ability to finance current losses.

It must also bring into question how close the corporation *is now coming to its borrowing* ceiling, which was extended to £2bn. last summer.

Discounting the original £500m. launching sum (not included in calculating the ceiling), the corporation's borrowings must still be reaching the £1.5bn. mark.

If Mr. Scholey is right in predicting a *further* 1.5bn. borrowings by the end of the next financial year, the corporation will be taken well over its limit. Besides, the burden of interest which non-public dividend capital involves, cost the corporation no less than £40m. in the current financial year.

Editorial comment, Page 12

Moves to form large union for professional engineers

BY JOHN ELLIOTT, LABOUR EDITOR

A SMALL public sector trade union belonging to the TUC is *completing plans* to turn itself into the country's main trade union for professional engineers and middle managers in private-sector industries.

The union is the 33,000-strong Electrical Power Engineers' Association. The special significance of its plans is that the Council of Engineering Institutions will publish a report to-day recommending a new trade union which it says is needed for the 120,000 of the 200,000 chartered engineers who work in the private sector.

The EPEA will probably declare its plans to recruit these engineers and other middle managers later to-day. This will spark off what may be one of the biggest inter-union battles seen in industry, involving the EPEA in clashes with other TUC unions such as Mr. Clive Jenkins' ASTMS, the *white-collar section* of the Engineers and other unions.

The Council of Engineering Institutions' report will hint at the professional institutions' possible support for the EPEA. It will then be up to the EPEA's national leadership to persuade its annual conference in April to authorise it to recruit outside the electricity supply industry.

Many of the EPEA's members, who earn from £2,500 a year to £12,500 a year, with a £5,000 average, may resent this possible dilution of their union's concentration on their own interests. Its national leaders will therefore stress that their plans are the result of a stream of invitations from other industries, and will emphasise that nothing will happen if the annual conference throws out the idea.

Behind these developments lies a growing concern both among the professional engineers as employees, and among *many companies,* that no union has yet emerged to speak with authority and the approval of middle managers, engineers, scientists and technologists.

Broad-based TUC unions such as ASTMS and the Engineers have failed to make many inroads, while others outside the TUC have in general been beaten off by the TUC unions.

But with the introduction of *the Employment Protection Act's* statutory procedures for expanding union recognition, which come into force next week, ASTMS and other TUC unions will try to push their recognition agreements up into the managerial and professional areas, where they are likely to meet resistance from the employees involved.

The EPEA, however, believes that, acting from a professional engineers' base, it can overcome this resistance, and that its membership of the TUC will give it *more* chance of success than the existing outsiders.

Price of IMF aid for Lira

BY DOMINICK J. COYLE ROME, Jan. 26.

FURTHER ITALIAN drawings from the International Monetary Fund are likely to be conditional on the introduction of economic measures that would almost certainly prove unpopular, it was learned here to-day.

Meanwhile, Italy's foreign exchange markets will remain closed. There is no immediate prospect of a quick solution to the government crisis. The top Italian Treasury, and Bank of Italy team appears to have returned without a formal agreement from its emergency consultations in Washington.

In any case, it is considered likely that a second round of negotiations will be necessary before any new formal loan and support package can be put together to defend the currency and Italy's depleted reserves, following last week's run on the lira followed by the closure of the exchanges. Such a package may entail additional short-term support from both the U.S. and West Germany.

But the idea of outside agencies such as the IMF "dictating" Italian economic *policies seems certain to complicate* further the task of Sig. Aldo Moro, the Prime Minister designate, in trying to form a new government. Sig. Moro was to-night calling on President Giovanni Leone.

Equally, Left-wing forces here would see any such external influence on economic policy as further evidence of American-inspired interference in Italian domestic affairs, aimed primarily at containing the electoral advances of the Communist Party.

However, the Bank of Italy *itself is known to reflect* the prevailing IMF view that the present lira crisis cannot be dealt with in isolation, and that the immediate need is for the formation of a new government which is politically credible—in terms of its broad support. The economic policy should reflect the measure of relative austerity which is now seen as necessary to tackle the country's economic problems, including a potentially serious balance of payments situation.

This applies in particular to important forthcoming wage negotiations covering a number of key industries, to the need for urgent industrial reconstruction and to the level *of projected spending in the* last government's medium-term economic programme.

Italian banking sources said here to-day that further direct borrowing through the IMF would require "some pretty stiff conditions in a letter of intent."

It will require an exclusively political decision to reopen the exchanges. This in turn requires a Government and the immediate prospects for a new administration are not encouraging. The Socialist Party, which brought on the original crisis earlier this month by withdrawing its support in Parliament from the coalition, yesterday decided formally against entering a new government under Sig. Moror.

The Prime Minister designate then proposed a three-party minority government of his own Christian Democratic and the Social Democratic and Republican Parties, both of whom met here to-day.

However, the Republicans indicated this evening that conditions were not right for *their participation while* the Social Democrats qualified their willingness to participate.

'Equity bank' talks

BY STEWART FLEMING

A CRITICAL meeting of the working party of institutional investors which has been examining whether or not to set up a new "equity bank" to invest directly in industry will take place early this week.

The aim of the meeting will be to decide whether there is now enough support for the draft proposals to enable institutional representatives to advise Sir Gordon Richardson, the Governor of the Bank of England, that the project can go ahead.

It will take place amid mounting anxiety over some fundamental elements in the latest draft proposals and fears in some quarters that the document, as at present worded, would allow the equity banks to take on a much more ambitious role than *is* currently envisaged.

The target date for the launching of Equity Investments Limited (EIL), as the "bank" is to be called, has already been postponed once because of disagreements over its scope and scale. It is being suggested now that if a further postponement is required then the eventual prospects of establishing EIL could be seriously damaged.

The initiative towards the creation of the equity bank came from the Bank of England and Sir Henry Benson, its industrial adviser, in the middle of last year. The basic idea is that the new organisation should take money from pension funds, insurance companies, and unit and investment trusts and place it directly in Ordinary shares in industrial companies which cannot raise finance through the normal Stock Exchange channels.

Lex, Back Page

P.O. will seek 20% on parcels

BY ARTHUR SMITH

THE POST OFFICE seems ~~likely~~ to seek an increase of more than 20 per cent. in parcel charges before the summer. The move would give a boost to P.O. finances and help it to hold letter and telephone prices stable for at least the rest of this year.

Sir William Ryland, the chairman, is determined to take a tough line to put finances back on a sound basis. In a message to the staff of more than 400,000 he has stressed the need to boost productivity and win back traffic lost by two sharp price rises in a year.

Economies being pushed through the organisation are expected to yield savings of more than £1m. a week by the *end of the financial year.* Most savings are to be made through staff reductions and a cut in overtime, measures likely to be intensified in future.

Profit hopes

While the P.O. expects to make a *small overall profit this financial year,* it will be the last time it gets Government compensation (£70m.) for complying with the policy of price restraint.

Parcels, rather than letters or telephones, seem the obvious area for savings. Parcels last showed a small profit in 1967-68, since when they have lost more than £122m. Last year parcels had a deficit of £42.5m., suffering a loss of nearly 70p for every £1 taken in revenue.

Parcel tariffs were raised by an average 50 per cent. last March and by a similar amount *in September. Figures have not* been made available for traffic loss caused by successive price increases, but this is undoubtedly an area where the Government committee set up to review the activities of the P.O. (under the chairmanship of Mr. C. F. Carter) may focus attention.

Indeed, further P.O. action on parcels may renew the call for a Government initiative to re-examine the State sector where parcels are handled by the P.O., British Rail and the National Freight Corporation. Last week the Government announced the offer of emergency grants of up to £5m. to help the NFC overcome financial problems, particularly in handling parcels.

Within the P.O. there is growing confidence about the general financial position. While uncertainty remains on the revenue situation following the hefty *letter price increase of last year,* it is hoped that further rises may be avoided. The 10½p letter can almost certainly be ruled out this year. If increases are made they are likely to be only marginal, and delayed as long as possible.

In his message to staff Sir William emphasises that the P.O. must "hold off further price increases—at least for basic letters—for as long as we can."

THE WEEK IN THE COURTS

The day Lord Denning had to eat his own words

BY JUSTINIAN

THIS COUNTRY is a member of the International Monetary Fund and a party to the Fund's major agreement, known as the Bretton Woods Agreement. That Agreement is a part of English law.

Under it "each country will respect the currency laws of the other," and the crucial article in the agreement, Article VIII(2)(b) says that "exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of any member maintained or imposed consistently with this agreement shall be unenforceable in the territories of any member."

The meaning to be given to this provision has puzzled the legal pundits ever since its inception 30 years ago. Almost every word and phrase in the article bristles with legal conundra.

It is not clear, for example, whether the State concerned must have been a member of the Fund; or whether the "exchange contract" must have been obnoxious to the relevant legislation at the date of the making of the contract or at that of its intended performance.

There are also difficulties of interpreting the phrase "maintained or imposed consistently with the agreement." But one thing is clear: an English court must refuse to enforce a contract which is within the article's terms, irrespective of any rules of contract law of England.

It is strange that so little reliance has been placed on the Bretton Woods Agreement by litigants disputing liability over international contracts.

Until very recently there had been only one case decided in the courts of this country (other member-States of the Fund have similarly not been much troubled with issues in their courts).

Contract

In *Sharif v. Azad** it was held in 1967 that an English contract, made between persons resident in England and to be performed in England, cannot be made unenforceable here merely because it breaks the exchange control regulations of another member of the fund.

That case concerned the provision of sterling in England in exchange for Pakistan rupees in contravention of exchange control provisions in Pakistan.

What had happened in that case was that Mr. Sharif had asked Mr. Azad, a travel agent with facilities for dealing in Pakistan rupees, to accommodate another person, resident in Pakistan but on a short visit to England.

It was not an unusual arrangement to circumvent the effect of stringent controls on the export of currency from one country to another.

That case was a contract to exchange the currency of one country for the currency of another. But for the fact that both parties to it were resident in this country, it would have fallen foul of the Bretton Woods Agreement.

But in the course of that case, Lord Denning said that exchange contracts means "any contract which in any way affects the country's exchange resources." Last week Lord Denning had to eat his own words.

Obligation

In *Wilson, Smithett and Cope Ltd. v. Terruzzi* the contract did not involve the delivery of a commodity, namely currency. It was an obligation by an Italian resident to pay money in respect of purchases and sales of zinc and copper wire bars on the London Metal Exchange to an English company.

A year ago, Mr. Justice Kerr had decided that "exchange contracts" had to be interpreted as meaning contracts whereby the currency of one country was exchanged for that of another and did not include every contract that affected the exchange resources of a country.†

That interpretation accorded with the objective of the articles of promoting and not hampering international trade. The Court of Appeal, presided over by Lord Denning, upheld that ruling.

This interpretation was prompted in part by the growing attitude towards exchange control as reflected, for example, in the EEC law.

Article 106 of the Rome Treaty recognises that there is to be an end to barriers being erected by member-States to stop transfers of capital and earnings from one to another.

Payments connected with the movement of goods are to be authorised in the currency of the member-State in which the creditor resides.

Conflict

That Article would be in direct conflict with an interpretation of Article VIII(2)(b) of the Bretton Woods Agreement if the latter were to be interpreted as catching within its net all contracts which in any way affect the country's exchange resources.

Since the parties in the metal exchange case were persons resident within the Common Market, it would be quixotic and undesirable that a ruling should not accord with the Rome Treaty.

The paramount purpose of the International Monetary Fund is to promote international monetary co-operation. The Court of Appeal's decision last week qualifies that proposition by insisting that in 1976 at least the Fund also seeks to encourage international trade.

Important

In the present climate of the dismantling of the rigid exchange control regulations of the post-war era it is sensible that the Bretton Woods Agreement should be limited in its attempt to protect national currencies.

Foreign currencies are the subject of an important change in the procedure in the High Court for bringing claims and enforcing judgments.

Last November, the House of Lords finally determined that the law of England no longer invariably required a judgment by an English court to be given in pounds sterling; in certain circumstances, the courts may now give judgment in a foreign currency.

What the House of Lords left unsaid was how the litigant with a judgment expressed in foreign currency should proceed to extract the money from his judgment debtor. The Senior Master of the Supreme Court has now issued a practice direction spelling out the practice to be followed‡.

The most common form of enforcement of a judgment is by the issue of the writ of *fieri facias*, which is an order to the sheriff to seize the property of the judgment debtor and to pay to the judgment creditor the proceeds of sale of the property, less the sheriff's expenses.

Where now the judgment creditor wishes to enforce a judgment expressed in a foreign currency either he or his solicitor must give a certificate indicating the sterling equivalent of the amount of foreign currency as at the date nearest or most nearly preceding the date of the issue of the writ of *fieri facias*.

Similar practice directions are given in respect of other modes of enforcement. The practice direction represents the final tidying-up of a significant change in English law that brings us into line with other major trading nations.

* *[1967] 1 Q.B.605.*
† *[1975] 2 W.L.R. 1009.*
‡ *Practice Direction (Judgment: Foreign Currency) [1976] 1 W.L.R. 83.*

RUGBY UNION BY PETER ROBBINS

Wallabies learned a lot on tour

EVERY TOURING party says farewell with a mixture of sadness that the circus is over and gladness that home is in sight. Saturday's Barbarians' match against the Australians was intrinsically a happy occasion, as the warm reception of the crowd indicated. Unfortunately the quality of the game did not match the obvious aspirations of the players.

Barbarians won 19—7 but their last try by J. J. Williams came from a patent knock-on by that player, and a score of 13—7 would have better reflected the Australians' part in the game.

The first half was a forgettable farrago mainly because Gareth Edwards could not get into the Barbarian mentality and out of the Welsh. He kicked instead of passing, and passed badly. Fortunately, the second half had the kiss of life and gave us a chance to see how the great players operated out of their own national environment.

The Australians led quickly through a penalty by Hindmarsh, but on half-time Bennett scored after a nine-man movement.

Australia replied in similar vein with Hindmarsh taking part before Ryan ran through Bennett and Irvine to score. Wheeler scored an excellent try following a thrust by Evans, for Bennett to convert. At this point Australia lost Loane and Hillhouse came on. Bennett added a penalty mid-way through the second half before the final dubious Barbarian try.

Order restored

Much of the Barbarian possession for the line-out was extremely shoddy but eventually Brown and Davies restored order. Australia were a lot quicker collectively to the rucks if less skilful at them.

Nevertheless, players like Tony Shaw and Pearse have added to their game from this tour, and in general the scrummaging has improved technically. The forwards on Saturday were never afraid to inter-pass out of trouble and the cover of all the Wallabies was exemplary. In short, the forward play has improved over the tour and will stand them in good stead for the future.

Hauser, Hipwell's deputy, played well on Saturday and the Australian backs lay deep with good intentions. Only when Hindmarsh came up or Shaw cut back inside did they look threatening. No one tried harder than Shaw but he, like the others, lacked the finesse of a class player. Monaghan has it as he showed with one unstoppable midfield run.

For the Barbarians, Bennett wilfully threw away two tries late in the game by going it alone. One sees perhaps more readily the thinking behind his exclusion from the Welsh team, which at first sight seemed madness.

Gibson could do little right, but there again Bennett did not bring him or Gravell up at anything like the necessary speed. So both the centres were made to look very human and fallible indeed.

The ball tended to move left to J. J. Williams, and he showed little inclination to try to beat his man by skill. He opted for the kick-ahead and chase and this proved to be a barren exercise. Duckham would have been a happier choice.

Gerald Davies had fewer chances but with Irvine brought that extra touch of class to the game. The crowd waited for and watched breathlessly his flitting run around Monaghan and then mid-field.

Effective

The crowd also loved Australia's obstinate refusal to give up passing and also the personal battle between Mervyn Davies and Loane. Davies was gigantic in everything he did. His tackling was superb; his speed to the breakdown uncanny and his use of the ball profoundly effective—a truly great player in the making as is Trevor Evans.

The Scot Brown enjoyed himself in the open, but Wheeler—the sole Englishman present—was the outstanding tight forward. His mobility and constructiveness were great assets, as was his specialist role of hooking. He would seem a likely candidate to captain England some day.

The scorers for the Barbarians: Tries by Bennett, Wheeler and J. J. Williams and conversions Bennett (2), penalty goal Bennett. For Australia: Try by Ryan and penalty goal by Hindmarsh.

Lauda wins in Brazil

WORLD CHAMPION Formula 1 race driver Niki Lauda of Austria easily won the Brazilian Grand Prix yesterday in a Ferrari after his closest rival, Jean-Pierre Jarrier of France crashed his Shadow through a fence on the 33rd lap.

Second was Patrick Depailler of France in a Tyrrell, third was Tom Pryce of England (Shadow), fourth was Hans Stuck of West Germany (March), and fifth was Jody Scheckter of South Africa (Tyrrell).

SOCCER BY TREVOR BAILEY

Substitute Davies takes Derby nearer Wembley

HAILED AS the outstanding match of the fourth round, the eagerly awaited clash between two of the most cultured teams in the county, Derby County and Liverpool, never quite lived up to expectations.

It was a fast competitive game but many players of both sides were below their best, too many mistakes were made, and there was insufficient flair in midfield for it to be a classic.

Derby won with a goal by Davies, brought on as substitute midway through the second half for Leighton James, who had constantly been caught in possession or had dribbled into trouble.

The cool, forceful, rather ungainly centre-forward immediately unsettled the visitors' defence, which until his arrival had had comparatively little difficulty in smothering George and James.

Davies is hard to dispossess and not only started the decisive move with a great cross-field pass, which eluded Smith and sent Rioch clear down the left wing, but was also on hand to stab the low cross home.

What was slightly ironic was that Rioch did exactly what one had been expecting James to do—go past Smith on the outside and centre on the run.

After this win and the news of a friendly home draw against Southend United in the next round, County should fancy their chances of reaching Wembley, because there are only perhaps four quality sides, apart from themselves, left in the competition.

These will be reduced still further after the delayed meeting between Stoke and Manchester City.

In some respects, Liverpool were unlucky. At the interval they were well ahead on points, having played the better football, created more positive chances, and possessing in Keegan easily the most dangerous forward on view, but they failed to score.

This was largely due to the efforts of Thomas at right back, who can seldom have played as well, the steadiness of McFarland in the centre, and the keeping of Moseley, who brought off one especially fine save from Keegan.

In the second half, Derby crept into something approaching their normal gear with [illegible] especially menacing, and [illegible] starting to buzz.

[illegible] after a defensive [illegible] found himself with a run to goal, only to be foile[d by] the advancing Clemence.

However, until the intro[duc]tion of Davies, the visitors lo[oked] capable of achieving a draw once they conceded that much of their poise departe[d to] be replaced by almost fre[nzied] desperation which se[riously] threatened an inc[reas]ingly composed Derby back.

What did not make tac[tical] sense was that when Hall strangely substituted Toshack, they should have [con]tinued pumping high balls [into] the centre without anybody [li]kely to win them.

Liverpool are a splen[did] organised side, so that [it is] always an achievement to [beat] them, but even more so whe[n,] in the case of Derby one is [not] in peak form.

As their manager, [Dave] Mackay said afterwards, it [has] been a long time since his [side] had given the ball away [quite] so often. The sign of an [out]standing team is when they win, although off-key.

Only nostalgia from Charlton

BY MICHAEL THOMPSON-NOEL

WITH MOST of the Fourth Round fireworks fizzing in the North, Charlton at home to Portsmouth (1-1) was London's only Cup tie. On paper it looked all right—both a trip down memory lane to the cobwebbed era when both both teams were great and a chance for one of them, each seemingly concreted into the lower third of Division Two, to embark upon the sort of cup run that wins friends and mollifies creditors.

The crowd was large (26,383), the takings were a record (£17,851) and the loud-speakers played Glenn Miller. Supporters who had not appeared for years jostled into The Valley and a troop of Finnish tourists, squealing in their furs, clambered up and down the grandstand.

Yet with the exception of Portsmouth's very late equaliser, a thunderbolt of incongruous excellence, the match flattered to deceive. It raised inertia to a brand-new science, with the result that the winner of tomorrow night's replay will limp and struggle into a Fifth Round meeting with Ipswich or Wolves and may never, thereafter, be heard from again.

Portsmouth, raw-boned and slow, showed early stickiness in defence and gave away four quick corners in three untidy minutes. After 20 minutes, Charlton might have gone ahead: Lloyd, the Portsmouth goalkeeper, cannoned the ball straight to Hales who chested it down but hurried the shot wide.

Six minutes later, Hope was tripped (or conceivably he fell) on the very rim of the Portsmouth area. After an agonised inquest, Mr. Grey gave a penalty and Curtis, playing only his second match after a 16-week absence, struck home fluentl[y to] the right of Lloyd.

The game improved margin[ally] in the second half. Char[lton] were now faster in attack [and] more confident at the back w[hile] Portsmouth, possibly informe[d at] half time that they had brou[ght] 70 coachloads of supporters [with] them who were feeling rebell[ious] and cheated, at least attem[pted] to shake off their mesmeri[c] dullness.

Still, the equaliser, [...] minutes from the end, was [pro]foundly unexpected. La[...] edged a neat ball to Rob[...] whose long, gliding centre [was] headed by Graham accura[tely] across to Piper who struck home. The blue flags w[ere] hoisted, the red sadly lowe[red] and the Finnish tourists jum[ped] up and down. They were [the] only ones who could make [any] sense of it.

LAWN TENNIS BY JOHN BARRETT

$11m. rewards in tournaments

IT IS appropriate in this bicentennial year that the first major tournament in America should take place here in Philadelphia, in the shadow of the Liberty Bell, at the giant 15,000-seat Spectrum Stadium. The $115,000 U.S. Professional Indoor Championship, worth $20,000 to the winner, is the fifth event of the 25-tournament World Championship of Tennis circuit which, with play-offs, bonuses and special events, offers total prize money of $2.4m.

Thus, together with the Grand Prix's $5m. (of which the sponsor, Commercial Union, contributes approximately $100,000 towards the bonus pool and not, as reported on Friday, the total amount) and other worldwide events totalling about $600,000, the men this year will be playing for rewards totalling $8m. If one adds the $3m. of women's prize money, we get a total for professional tournament tennis of at least $11m., nearly £5.5m., and this does not include the massive personal contracts of Team Tennis.

At a time, therefore, when the Men's Professional Tennis Council is quite rightly criticised for channelling too much money into too few pockets (a criticism of the women last y[ear] was condemned as m[ale] chauvinism) it is refreshing [to] see what is being done [in] Philadelphia.

During the past 14 ye[ars] these championships have [not] only provided the best fields [and] the largest attendances outs[ide] the U.S. Open, but also they h[ave] contributed $362,000 to th[e] public tennis coaching [pro]grammes organised by lo[cal] authorities of the Delaw[are] Valley area. The tournamen[t,] masterminded by co-chair[men] Marilyn and Ed Fernberger, [who] have involved the entire b[usiness] and social commu[nity] so that the 83 "pacesetter" c[om]panies have already paid m[ore] than $140,000 in contributi[ons] and purchase of box seats. [...] advance takings so far are $1[...] above last year's total rece[ipts] and only $30,000 short of the 1[...] record, when 71,832 specta[tors] attended the seven days of p[lay] to produce a net profit of $76[...] for the teaching programmes.

Top seed this week is [the] dynamic Jimmy Connors, [who] was engaged yesterday aga[inst] fellow left-hander Roscoe Tan[ner] in the final of the IPA tour[na]ment at Birmingham, Alaba[ma]. This is Connors' first year [of] WCT play, and his prospec[tive] semi-final opponent is th[e] seeded Arthur Ashe.

The only noticeable absent[ees] this week are the two [left]-handers Guillermo Vilas [of] Argentina, who won last ye[ar's] Grand Prix, and Manuel Ora[ntes] of Spain, who won the U.S. O[pen] so spectacularly last year; [and] the two ageing Australians [Ken] Rosewall and John Newcom[be,] who is a past winner here.

FT CLIPPER RACE

GB II 650 miles ahead

GREAT BRITAIN II, in the lead, is about 1,800 miles north-east of Cape Horn and sailing fast in 30-knot winds. She is approaching the latitude of Buenos Aires and is about 900 miles east of that city.

Patriarch's homeward passage of 69 days is still very much intact, Great Britain II being 54 days behind the clipper's 33rd-day position.

Second-placed Anaconda II passed between the South American mainland and the Falkland Islands in an effort to make up time lost through being becalmed for a day and a half at the Cape. Her course gives her the opportunity to take advantage of the strong current which flows north in this area. She is about 650 miles behind Great Britain II.

Third-placed Great Escape is about 450 miles away from Cape Horn which she should round in three days or so, while CS e RB II is some 180 miles behind the Dutch yacht.

Kriter II is sailing very fast. Her position shows her to have just crossed the International Date Line. She is already two days up on Great Britain II's equivalent position and seems set, barring further trouble, to return a very fast passage time.

Latest positions:
Great Britain II (2100 hrs. Jan. 23) 39.43 South, 37.43 West. Anaconda II (2100 hrs. Jan. 23) 48 South, 58.17 West. Great Escape (2100 hrs. Jan. 23) 57 South, 81.30 West. CS e RB II (0340 hrs. Jan. 24) 60 South, 86.20 West. Kriter II (0001 hrs. Jan. 24) 56.16 South, 179.47 West.

RACING BY DOMINIC WIGAN

Indianapolis to win at Fontwell

WITH the abandonment of to-day's Teesside card, due to severe frost on that Co. Durham track, racing is confined to Fontwell. Here the most interesting race of the day is, in my opinion, the two-mile one-furlong Sussex Hurdle (2.30), which has attracted three smart performers in *True Song*, *Indianapolis* and *Grass Hand*.

True Song, who ran well for a long way in last years Champion Hurdle, would be extremely difficult to beat if returning to his best form. However, he has shown little in his four runs this season and I cannot see him coping with Indianapolis on level terms.

The Fred Winter-trained *Indianapolis*, who joined the Uplands team after the death of the Epsom trainer, John Sutcliffe, has been steadily improving in recent weeks, and I expect his class to prove the deciding factor

Even if he fails to land the Sussex Hurdle on *Grass Hand*, Bob Davies seems set for a profitable afternoon. I hope to see him win both divisions of the Burpham Novices' Hurdle (1.30 and 4.00) through *Colonel Nelson* and *Mick the Miller*. The last-named, a nippy sort who will be ideally suited by this sharp track, appeals as a sound bet.

Tree Tangle, who has been somewhat in the shadow of his stable-mate, Birds Nest, this season gave every indication at Haydock on Saturday that he is yet another hurdler capable of landing the championship at Cheltenham in six weeks' time. There are already five hurdlers who have been heavily backed to lift the title — *Comedy of Errors*, *Night Nurse*, *Lanzarote*, *Birds Nest*, and *Sea Pigeon*.

Always travelling smoothly in Saturdays Embassy Hurdle, Tree Tangle, running his best race of the campaign, found little difficulty in holding off Philominsky and Tameric when challenged the run-in.

Despite the impressiveness [of] his display Tree Tangle is [re]ported a doubtful runner [for] next month's Schweppes G[old] Trophy, in which his weight [has] gone up to 12st 1lb through [a] 3lb penalty incurred on Sat[ur]day.

Although 12st 1lb is a form[id]able weight in a race as hig[hly] competitive as the Schweppes, [it] is worth remembering t[hat] Lanzarote was backed down [to] favouritism when trying to d[o] 12st 5lb a year ago, and I belie[ve] Bob Turnell may reconsider t[he] situation and allow Tree Tan[gle] to take his chance, for his Ma[...] damus gelding is due to me[et] several rivals on considera[bly] better terms than in the cha[m]pion hurdle.

Latest champion hurdle pric[es] are: 3-1 *Comedy of Errors*; 100-[...] *Night Nurse*; 4-1 *Lanzarote*; [...] *Birds Nest*; 10-1 *Sea Pigeon* a[nd] Tree Tangle.

On the Gold Cup front it [is] 2-1 *Captain Christy*; 3-1 la[st] week's impressive Gowran Pa[rk] winner, *Brown Lad*; 5-1 *Bu[...]* and 12-1 *Soothsayer*.

FONTWELL
1.30—Colonel Nelson*
2.00—Crimson Clip
2.30—Indianapolis***
3.00—Salviati
3.30—Brown Admiral
4.00—Mick the Miller**

TV/Radio

† Indicates programme in black and white.

BBC 1

9.38 a.m. For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Mr. Benn. 2.01 For Schools, Colleges. 3.20 Anno Domini. 3.58 Regional News (except London). 4.00 Play School. 4.25 Roobarb. 4.30 Jackanory. 4.45 Blue Peter. 5.10 John Craven's Newsround. 5.15 The King of Argos by John Tully. 5.40 Ivor the Engine. 5.45 News. 6.00 Nationwide. 6.55 Ask the Family. 7.20 Z Cars.

8.10 Panorama.
9.00 News.
9.25 The Monday Film: "What's New Pussycat?" starring Peter Sellers, Peter O'Toole, Romy Schneider and Woody Allen.
11.10 Tonight and every week-night.
11.45 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 2.18-2.38 For Schools: Let's Look at Wales. 6.00-6.55 Wales To-day. 6.55-7.20 Heddiw. 11.45 News and Weather for Wales.

Scotland—11.00-11.20 a.m. For Schools: Around Scotland. 6.00-6.55 p.m. Reporting Scotland. 11.10-11.45 Public Account. 11.45 Scottish News Summary.

Northern Ireland—3.58-4.00 p.m. Northern Ireland News. 6.00-6.55 Scene Around Six. 11.45 Northern Ireland News Headlines.

England—6.00-6.55 p.m. Look North (from Leeds, Manchester, Newcastle); Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South To-day (from Southampton); Spotlight South-West (from Plymouth).

BBC 2

11.00 a.m. Play School.
11.25 The Caterers.
3.55 Interval.
4.00 State of Play—Pre-school Education Now.
7.00 The Do-it-yourself Film Animation Show.
7.20 Weather.
7.25 Newsday.
8.10 The Waltons.
9.00 How Green Was My Valley.
9.50 Horizon.
10.40 Diversions from Scotland.
11.15 Newsnight.
11.30 Closedown: David Markham reads "Geography Lesson" by Zulfikar Ghose.

LONDON

9.30 a.m. Schools Programmes. 12.00 Issi Noho. 12.10 p.m. Rainbow. 12.30 The Amazing World of Kreskin. 1.00 First Report: News, FT index. 1.20 Lunch-time To-day. 1.30 Emmerdale Farm. 2.00 Good Afternoon. 2.30 "The Old Man Who Cried Wolf," starring Edward G. Robinson. 3.55 General Hospital. 4.25 Clapperboard. 4.50 Rocue's Rock. 5.20 Batman.
5.50 News from ITN.
6.00 To-day.
6.45 Opportunity Knocks!
7.30 Coronation Street.
8.00 Hello Cheeky.
8.30 World in Action.
9.00 Police Story.
10.00 News.
10.30 Looks Familiar.
11.00 Take Two.
12.00 Problems.

All ITV Regions as London except at the following times:—

ANGLIA
12.30 p.m. Time To Work. 1.25 Anglia News. 2.00 Houseparty. 2.30 Monday Afternoon Film: "The Garden of Allah," [illegible]

ATV MIDLANDS
[illegible]

BORDER
[illegible]

CHANNEL
[illegible]

GRAMPIAN
[illegible]

GRANADA
[illegible]

HTV
[illegible]

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion Y Dydd. 2.00-2.30 Hamdden. 6.01-6.22 Y Dydd. 8.30-9.00 Yr Wythnos. [illegible]

SCOTTISH
[illegible]

SOUTHERN
[illegible]

TYNE TEES
[illegible]

ULSTER
[illegible]

WESTWARD
[illegible]

YORKSHIRE
[illegible]

RADIO 1 247m
Stereophonic broadcast
[illegible]

RADIO 2 1,500m and VHF
[illegible]

RADIO 3 464m, Stereo & VHF
[illegible]

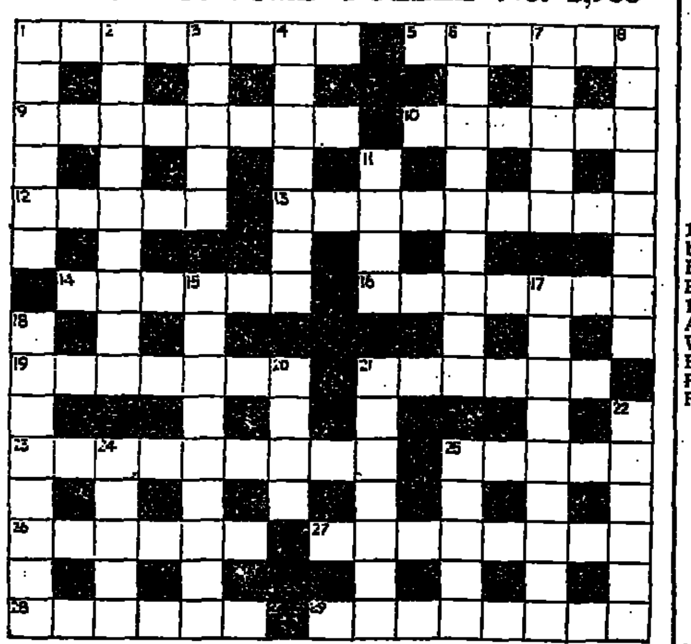
RADIO 4 434m, 330m, 285m and VHF
[illegible]

BBC Radio London 206m and 94.9 VHF
[illegible]

London Broadcasting 261m and 97.3 VHF
[illegible]

Capital Radio 194m and 95.8 VHF
[illegible]

F.T. CROSSWORD PUZZLE No. 2,988



ACROSS

1 RAF pals I converted to opera (5)
5 Stories about the ancient goddess (6)
9 Despatches from a young girl to a Cornish saint (8)
10 Runners on foot about right for women (6)
12 A ship put to sea with freight (5)
13 High church in Essex (9)
14 Enclosures formed by Civil Engineer in the lowlands (6)
16 A virtuous type for a householder (7)
19 It is obvious about one undergoing treatment (7)
21 Plain fish surrounds the doctor (6)
23 Coloured cape for a novice (9)
25 The girl for us in the sick-bay (5)
26 A political party is full of excuses (6)
27 To make little of the note is to the point (8)
28 It is bad with a broken leg to be a bachelor (6)
29 Overbearing in the channel (8)

DOWN

1 "Beside a — isle in Baiae's bay" (Shelley) (6)
2 Reviving swell in fissure (9)
3 Jones announces his entry (5)
4 Scene of action in like ways of approach (7)
6 Humbled like the words of a dictator (5, 4)
7 You might turn to greet the bird (5)
8 Competitors that are out of place (4-4)
11 Sticks up for the complacent (4)
15 Ship's certificate for William after a bath (5, 4)
17 The era of the gospel makes no progress (5, 4)
18 "I write long—, you yourself write nothing" (Martial) (8)
20 It is the old you that we always hold in thought (4)
21 Sonnet I made up in anxiety (7)
22 What is the purpose of one camping? (6)
24 Innocent get-up in a French town (5)
25 It sounds crafty to proceed in Ireland (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

هكذا اصبح الأصل

ent Garden

Triple bill

by CLEMENT CRISP

triple bill at the Opera on Saturday night snowed gain how vexed are the ons of choreographic style repertory ballet company. s *Biches* the opening en- e looked inelegant and un- tic. Nijinska's pink de bumped along over the textures provided by the tral playing—the score ing throughout as if John Sousa had had a brassy in it—and hockey rather gossip and flirtation could been their vocation.

remained for Natalia ova as the figure in blue establish the right atmo- e of sophisticated wit and *stated corruption*. She has d and lightened her inter- ion, its sexual ambivalence stronger by being shown a classic modesty of means, oy/girl enigma of the role ing the character's own ous secret. The three heroes of David Wall, Carl s and David Ashmole are est casting yet this season se they make no attempts y the roles, and dance them clean, easy distinction.

stylistic problems with the eding *Rituals*, which gains oreographic interest with viewing. Wayne Sleep was as the successful neophyte he first scene, physically suited to the part and pro- g a strong focus for the irs of combat. Structure and rning in this sequence grow scination with each viewing, and small subtleties of gesture and pose seem to me increasingly *important in giving an authentically* Japanese flavour to the dances.

In the Bunraku puppet scene Miss Makarova was ideal. Her sharp clarity of gesture, the *way* her body manages to convey total impotence even down to the blankness of her gaze, are chillingly right. And in the closing celebration of childbirth, Alfreda Thorogood as the mother *and* Georgina Parkinson as the midwife caught all the odd, insidious force of MacMillan's calligraphic writing, *wherin the quick* sweep of a fan or the tiny deliberate flexing of a white-socked foot punctuate and high-light the dances.

At the end of the evening, the merits of John Taras' revision of *Petrushka* were more readily apparent than on the first night. Mr. Taras, by cutting away a lot of tedious old business and sharpening the crowd characterisations, has brought back a much-needed vitality to the ballet. It may not be all Fokine, but the dynamic momentum of the piece has been recovered, and Alexander Grant's Petrushka, strong and clear in mime and rich in pathos, is convincing. The Doll and the Blackamoor of Jennifer Penney and David Ashmole are still only sketches: memories of Danilova and Markova, of Dolin and Vassili Trunoff, suggest how much deeper and more purposeful these roles can be.

rcell Room

Stephen Dodgson

by PAUL GRIFFITHS

is not easy to sketch the acter of Stephen Dodgson's c, even after hearing a e concert of his works: finability might, of course, matter for praise; it might ate a musical power and plexity beyond words. But he case of Dodgson it is er that his work lacks both nctiveness of style and dis- ion of idea. Fluency he ainly has; he could not other- produce so prolifically. Yet very ease with which he es may be something of a licap, for it seems to con- him to well-tested skills to fulfilling manifold uests for little chamber es. No group of instrumental ers to-day, however oddly rted, can claim to have made grade until they can boast a lgson commission. Without ubt Dodgson is a worthy ftsman, but he is also the nposer of the mediocre par ellence.

n the whole, then, Saturday's cert proved an occasion of nal decorum. There was, ever, a welcome surprise in performance of the Piano o of 1973. This was a bold gle-movement piece, with sic of an engaging alacrity rrupted by searching canonic sodes, interpolations which med at once to hold up the m music, to discover new ects of it, and to quicken icipation of its return. In one work Dodgson has shown t he can write an arresting m filled with strong and ex- ssive ideas. At odd moments this very fine account by the ioni Trio I was even made to think of Bartók, but more *sober judgment would still have* to place the piece, perhaps alongside the works of Franz Reizenstein and Alan Rawsthorne, in that select repertory, worthwhile English chamber music.

The other, earlier, piece *for* piano trio, *Methought this other night*, was much milder stuff, being a sequence of polite variations on an Elizabethan lute song. Nor did anything very breathtaking happen in two rather Francophone works, the Duo for flute and harp, and the *Solway Suite* for those two instruments with viola. The latter composition, excellently *played by the London Harp Trio*, showed how much Dodgson's writing is influenced by the *medium and by previous efforts* in that medium — an obvious danger in composing to commission. Here the soporifics of Debussy's "Sonata" were often playing on the surface, though the model was left behind in the Ground movement, where the viola stepped into the limelight.

Greyest of all the works presented were the two choral pieces sung by the London Chorale under Roy Wales. The buoyancy of *Dale Folk*, a set of three songs for female chorus and piano, could hardly survive the attempts of these girlish southern voices at a Yorkshire intonation. And *The Innocents*, a "motet" in three parts for full chorus and soloists, emerged in this first performance as utterly bland. Its failure might have been blamed on the weakness of the texts, but then Dodgson's settings appeared quite unaware of any poetic qualities, good or bad.

izabeth Hall

Sunflower

by MAX LOPPERT

he Northern Sinfonia, which the attractive habit of insert- new or unfamiliar music into *programmes*, gave on Friday first London performance of vid Lumsdaine's *Sunflower* for mber orchestra (the première been at Middlesbrough two s earlier). Mr. Lumsdaine, Australian resident in this intry and active at Durham iversity, is a composer ose bold, toughly-made works articularly *Kelly Ground* and *Mandala* chamber pieces— ve won admiration but *not yet* de circulation. A single cry "Rubbish" greeted the close Friday's *performance*; yet the w piece made, at least on me, strong impact—a brooding, ysteriously eloquent composi- n. Provided that in future arings the playing manages to firmer and more fluent than was on this occasion under ristopher Seaman, *Sunflower* ould gain wider currency.

The inspiration is Blake's "Ah nflower," inscribed on the title ge of the score along with the dication to Dallapiccola's emory. The texture, at first ouded by halting wisps of ing chords, clears to disclose e horn motif that lends the usic its peculiarly drowsy, ft-hued colour and character; ow transformations of sonority, nctuated by horn-calls them- lves slowly transformed, give a distinctive feeling of evolu- on and lyrical impetus. At times, during the first hearing of the "one long movement, for the most part slow and quiet," it became difficult to catch the threads of change, to determine whether the gently elegiac mood was not a little too unvaryingly maintained. What was clear was that the players had been insufficiently encouraged to shape their lines with ease and warmth of phrase and tone, to achieve an exact blend and balance of ensemble. *In music* so dependent on, imaginative about, subtleties of texture, these would appear to be crucial qualities of performance.

In Mozart's E flat Piano Concerto (K482) earlier on, the music had to contend with similar carelessness about orchestral balance on the part of the conductor, and a use of the pedal by Stephen Bishop-Kovacevich which, most damagingly in the first movement, appeared determined to give no quarter to the hall's own, built-in *acoustical* blur. The result was muddle. Mr. Bishop, usually a Mozartian of strongly sensitive *rhythm and* scrupulously clean tone, came into his own only in the rondo finale. Here either *one* had ceased to care about accompaniments half-heard, or else the sublime *sparkle* of the music triumphed in even these disappointing circumstances. The Purcell Chacony in Britten's arrangement and the Haydn B flat Symphony, No. 102, completed the programme.

Shakespeare Prize for Philip Larkin

The Anglo-German jury of the VS Foundation of Hamburg ave announced the award of eir Shakespeare Prize for 1976 Philip Larkin, the poet. Mr. arkin is the first poet to receive e prize since John Masefield, en Poet Laureate, in 1938.

The Shakespeare Prize is warded annually by the FVS oundation to a citizen of the nited Kingdom for outstanding chievement in the field of the arts, particularly in relation to the U.K. contribution to the European cultural heritage. In addition to the honour of the award, there is an accompanying tax-free monetary award of DM25,000. With the prize is linked a scholarship of DM6,000 for one year's study at a university or at an academy of fine arts in the German Federal Republic. The prizewinner has the right to select the scholar concerned.

Henry Newman (Sid), Margaret Morgan (Nancy) and Arthur Davies (Albert)

Sherman Theatre, Cardiff

Albert Herring

by ELIZABETH FORBES

The Welsh National Opera's new production of *Albert Herring* on Friday was given, not in the company's usual Cardiff home —the New Theatre—but in University College's Sherman Theatre, a smaller, more intimate and more suitable setting for Britten's chamber opera. After two performances at Cardiff the production will visit other recently-built Welsh theatres, at Bangor, Aberystwyth and Mold. To judge by the Sherman audience, predominantly young, enthusiastic and receptive, the tour may bring a much-needed infusion of new blood to the Welsh opera public, and might even convert a number of die-hards to modern opera.

Albert Herring is not, of course, a modern work in the sense of being difficult to understand, and written nearly 30 years ago it cannot even be called contemporary any longer; but as one of the few genuinely comic operas composed to an English text in this (or any other) century, it remains a wholly absorbing and extremely funny piece of music theatre. Ian Watt Smith's production does not sentimentalise the characters; nor does it turn them into grotesque caricatures. The inhabitants of Loxford may be representative of certain types, but they are typical in a highly individual way, and Mr. Watt Smith allows them their eccentricities. Alexander McPherson's designs are also affectionately conceived without hint of patronage. From the panes of stained glass in Lady Billows' morning-room to the vegetables in Albert's shop: from the wobbly looking jellies at the May-day feast to the damp umbrellas on a very wet second of May, the details are correct (an ill-fitting door in the first act was later adjusted). The clothes are properly informative on the social standing of their wearers, and for once the generation gap is made sufficiently wide, with Albert, Nancy, Sid and the children on one side of the chasm, and the Loxford worthies firmly entrenched on the other. An unusually young and pretty Miss Wordsworth hovers between the two groups.

The Entertainment Guide is on Page 26

The singers are mainly drawn from WNO contract artists and from the Chorale. Arthur Davies, a bashful Albert hardly past adolescence when we first meet him, takes to rum and lemonade like a duck to water; and grows up convincingly after his night on the tiles. The music lies perfectly for his voice, while the long monologue in the darkened shop is skilfully shaped. Henry Newman makes a splendid Sid, bursting with high spirits, who woos his Nancy in unmistakably sincere and ardently lyrical tones. As Nancy, Margaret Morgan displays a warm personality and a voice, already pleasant and individual in timbre, that promises excitingly for the future.

Rae Woodland is less bossy and Amazonian as Lady Billows than some interpreters of the role, but she radiates a sense of absolute confidence and superiority that is equally effective. However, the real power in Loxford undoubtedly lies in the hands of Johanna Peters' Florence Pike, a formidable dragon in a neat tailor-made, who scarcely bothers to conceal her contempt for her employer's intellect. Menai Davies, as a Mum whose treatment of Albert is quite abominable, manages to retain some sympathy for Mrs. Herring by her evidently genuine grief at his disappearance. Rita Cullis brings passionate intensity to Miss *Wordsworth's every utterance*, while her pupils (Mary Davies, Margaret Baiton and Simon Bunce) *win well-deserved* applause for their "hailing" of Albert.

John Harris's strongly-sung Mr. Upfold the Mayor, Julian Moyle's maiden-auntish Mr. *Gedge the Vicar, in a perpetual* lather of embarrassment, and David Gwynne's outwardly im*pressive but socially insecure* Superintendent Budd are acutely-observed character studies. The acoustic of the Sherman, clear but not dry, allows every single word to be caught. Similarly, the texture of orchestral sound, limpid to the point of transparence, ensures that the playing of the 13 soloists from the Welsh Philharmonia can be fully appreciated. Anthony Hose conducts with the utmost solicitude for balance, separating the various vocal or instrumental strands in the Threnody so that it emerges, like the opera itself, as a combination of individual talent and disciplined ensemble.

St. Pancras Assembly Rooms

Frederic Rzewski

by PAUL GRIFFITHS

As far as what he might call the "official" world of music is concerned, the American musician Frederic Rzewski disappeared about ten years ago, having made an astonishingly forceful and cogent recording of Stockhausen's formidable Piano Piece No. 10. He seemed set for a career as an avant-garde virtuoso of exceptional talent, but he chose another way. During the last decade he has turned his pianistic and compositional gifts to improvisation, collective work with a group in Rome and, increasingly, the cause of extreme left-wing politics. A piece by him was done at one of the Round House Proms in 1974, but last Thursday's concert was, I think, the first opportunity we have had to hear his most outspokenly political music.

The evening began with *Coming Together* and *Attica*, a pair of works concerning the revolt and massacre at Attica prison, New York, in September 1971. Both are scored for a speaker backed by an instrumental ensemble, the texts being taken from statements by Attica inmates. The words of the second piece are those used by Richard X. Clark when asked, after his release, how he felt on leaving the prison behind: "Attica is in front of me." *Coming Together* has a text much less insistent on revolutionary struggle, for the sentences of Sam Melville are the expression of a man of sensitivity and intelligence seeking a way to keep his alertness and dignity in the brutal confines of Attica.

Rzewski's intention was not, according to his own account, to "make a reasoned political statement" but to "heighten the feelings expressed" in the texts. He has tried to do this by having the words often repeated (each sentence in *Coming Together* has been declaimed seven times before the piece is through), and by providing accompaniments which are solid, cumulatively aggressive in tone and almost immobile. The generalisation of the message in political terms Rzewski leaves to the individual speaker, and on this occasion the hard insinuating quality of Cornelius Cardew's voice made a telling effect. Even so, Melville's fine words were robbed of much of their humanity.

In a third work, his *Variations on "No Place to Go but Around,"* Rzewski appeared as his own interpreter, showing that his fingers are as skilled as ever. The piece is a gigantic contrapuntal fantasy in the tradition of Busoni and Liszt; as a composition of 1973 it is a most bizarre anachronism, but this performance was enough to justify so outlandish a creature. It is a very great pity that Rzewski no longer finds it possible to play the music, not just of this century, to which he might contribute so much (I felt this still more strongly during his account of Cardew's quite uninteresting *Thälmann Variations*). Clearly he feels a deep allegiance to the far left, though his variations might have been written by a composer of any colour; only the programme expresses the politics. That, however, raises the question of the value of political music, and I have promised myself not again to dismiss the whole notion.

Paul Robeson

Paul Robeson, the Negro actor and singer, died last Friday after some years of illness. He was 77.

Robeson was born in New Jersey, the son of a clergyman and was educated at Rutgers College and Columbia University, where he distinguished himself both in sports and in his law studies. He first appeared on the stage in 1921, and made his first appearance on the concert platform in 1925 when he had already acquired some reputation as an actor. Apart from a performance in Blackpool in 1922, he was first seen in this country in 1925, when his performance in O'Neill's *The Emperor Jones* was warmly received.

His reputation here touched its zenith with *Show Boat* at Drury Lane in 1928. Two years later he played Othello at the Savoy, and he worked chiefly in England until he went back to New York on the outbreak of war. There his increasingly outspoken racial and political opinions led ultimately to the withdrawal of his passport; he did not return here until 1958. He played Othello again at Stratford the following year.

Of his films, *Sanders of the River* is probably the best known, though the role of Bosambo was hardly worthy of a personality above all dignified and imposing. Robeson never fulfilled his true potential. In her biography of him, his wife Eslanda Goode recounts how he was constantly on the verge of studying to sing classical music, but he never did.

He will be remembered for his playing in the works of Eugene O'Neill and for his singing of Negro songs, chiefly in the sophisticated arrangements of his accompanist Lawrence Brown.

B. A. YOUNG

Coliseum

Siegfried & Twilight

The second of the English National Opera's three complete *Ring*-cycles this season came to its climax last week in a blaze of twilight, two full houses, and a great quantity of happy, satisfied applause. To the very few *more faint-hearted* Wagnerians among the audience—"Wagnerians" in a lesser sense, whose *limits are set at the Siegfried Idyll*, the Wesendonck songs and, unique in Wagner's output, the *sea-mark of his oeuvre, Tristan* itself—the bounty of the *Ring* will have been a more mixed *blessing. After Rhinegold* and *Valkyrie*, the familiar numbness had to set in: sister to that same *uncomfortable* sense, whose stirrings are detectable from the start and intimately known to lesser-Wagnerians, of being set upon, sat upon and assaulted by a not-quite-recognisable assailant using tactics quite outside the Geneva Convention, compounded on the third night by *Siegfried*, and only ever partly alleviated by the second Act of *Twilight of the Gods*.

But remarkable achievement it was—whatever the sense, and whatever the symptoms. My own *applause went out unreservedly* to the singers, orchestra and conductor, whose extraordinary resilience had never seriously faltered throughout the week. Mackerras's reading of the monster score, even if it never really took fire or wing in the most fiery, flightly pages, was never less than admirable for its conciseness and clarity, and generally at rather slow tempi, easy, sympathetic movement. Some punches were pulled: a few important details were smudged. It was all the same a strong and commanding performance.

Alberto Remedios, in full, clear voice, spent the third night in uncertain character—a Siegfried whom the smaller problems of life would throw from time to time into a positive tremble of concentration, but whom the bigger ones, like lineage and dragons, appeared hardly to touch: a jolly, grinning invincible lad who ran with a will and a wink the whole gamut of stagecraft between Westphalian ham and Rhinescout camp. His "Oh that!" to Mime, with an airy flap of the hand towards the dead dragon, was insistently memorable: enough even to colour some of the real stature he *brought to the part, stronger*, calmer, altogether more firm, in *Twilight of the Gods*. Strange transformation.

Gregory Dempsey, who takes Mime from Paul Crook in the second and third *cycles*, makes an intelligent, capable showing —but like his brother Alberich, sung again by Malcolm Rivers, physically as well as musically a rather less than sinister Nibelung. The other significant cast-changes of the second cycle have already been noted. Rita Hunter, still essentially the glory of this *Ring*, recalled the triumph of her *Valkyrie* Act 3 in first Act of *Twilight*: bright, ringing tone, clear enunciation, immense projection. Elizabeth Connell's Waltraute, beautifully tuned, deeply committed and convincing, deserves special mention again—she too, with Anne Collins and Katie Clarke, made an exceptionally good trio of *Norns*.

Of Ralph Koltai's sets and costumes, which to my eyes still do not reflect any particle of the lushness or deep, instinctive reverberation of the music, but only a distorted café-mirror of it, functional, clever, but wholly wrong, enough said: a personal view, which others may not find so distracting. The Byam Shaw-Blatchley production, by now in places badly in need of tightening and re-shaping, is seen at its worst in *Rhinegold*, and at its best elsewhere, progressively better, simple and unobtrusive, but still too full of blank gesture, blank movement, never consistently capable of smoothing over and making dramatically intelligent Wagner's endless dramatic *friezes, freezes and transitions*. A pity about the blood-brother cup, and in *Siegfried* the anvil, *which fell in half some time* before they ought. Like the production, perhaps they both need *stronger glue?*

DOMINIC GILL

Mermaid

Funny Peculiar

Imported from the Liverpool Everyman with a timing beautifully coincidental with the *Pope's pronouncements* on extra-marital sex and the Central Criminal Court trial of Linda *Lovelace's publisher*, Mike Stott's cracking comedy outrageously demonstrates that beauty *is often in the mouth of the* beholder and that love can make the world go down.

The Tinleys are a married couple running a cornershop grocery in the Pennines, and Trevor, having *sent a consoling* letter to a Vicar suspected of homosexual behaviour, is on the edge of a *breakdown due to his* wife's bedroom inhibitions. While Irene anxiously guards the baby, Trevor *sneaks off* with a delivery to an easy-going household with liberal tendencies and finds *himself on the* rug with his female customer. The husband's only reaction on sniffing Trevor's *abandoned* socks after a naked, hasty retreat is beaten through the double-glazing *is an approving comment* of "clean feet."

The farcical dynamite Mr. Stott releases under the play is hilariously successful because of the snappy accuracy with which the watch-dog mentality is defined both in Irene's self-consciousness and the figure of Mrs. Baldry, an interfering neighbour who objects to Trevor's discussion of abortion and Northern Ireland at the parish social evenings and who, of course, is conveniently on hand to witness Trevor's illicit antics when the curtains are left undrawn.

Lumbered with a retarded son whom she eventually consigns to an institution, Mrs. Baldry is a poisonous do-gooder mercilessly drawn by Mr. Stott but played with gentle understatement by Eileen O'Brien. I am not convinced that this approach pays off, although Miss O'Brien is pathetically effective when it comes to accosting the conquering hero in her night-gown with the sad tale of how the only man she ever saw naked was her husband when she nursed him through the final stages of terminal cancer.

By this time the play has revved into top gear, Trevor's relief at being fellated tempered by the cold shoulder from Irene (Mrs. Baldry has spilt the beans) and the inappropriately cheerful intrusion of Desmond delivering stocks to the store. Now Desmond, quite brilliantly played by Peter Postlethwaite in a manner one can only imagine being equalled by Ralph Lynn in top form, suffers the purgatory of seeing his "quality confectionary" savagely abused by the forlorn grocer. Trevor orders two dozen cream puffs, sets them out neatly on the counter before him and proceeds to brutalise them. The scene develops into a magically zany battle with foodstuffs as weapons: at one point, Mr. Postlethwaite, freshly armed with French loaves, skids around on a surface treacherous with washing-up liquid and bubble-gum before crashing to the floor in a furious heap.

A worse fate awaits Trevor when assaulted in the dark by Mrs. Baldry, for he falls into a cellar and finishes up in hospital, wrapped in plaster from head to toe. There he is *visited by the newly-formed trio* of the trendy couple and a liberated Irene and, while his *wife attends to "little Godfrey"* beneath the sheets, he accepts the proposition of starting a *chicken farm with an orgasmic* yelp of delight.

Richard Beckinsale brings to Trevor an *impressive armament* of comic technique: a winning charm, a superb sense of timing and a thorough feeling for the comedy's serious underlay. Crucially, we believe that he really *does* love Irene and that his physical agitation at the play's beginning stems from a genuine desire for sexual fulfilment. It is a performance of very high quality.

Alan Dossor's production is full of energy and pace, the scene-changes wittily covered with pungent, pre-recorded dialogue to help the play along. Patrick Robertson's designs are economically practical and there is fine support by Julie Walters as Irene, Matthew Kelly as the gauche adolescent and Nick Stringer as a friendly neighbourhood policeman who has, within reason, seen it all. In short, this is a truly invigorating, very funny evening of theatre.

MICHAEL COVENEY

HOME NEWS

Councils' cash must come from rates—Hayward

FINANCIAL TIMES REPORTER

LABOUR PARTY local government members were told yesterday that the Government would not stop them from spending more on local services—provided they raised the money from the rates.

Mr. Ron Hayward, general secretary of the Labour Party, told their conference in Cardiff: "On the one hand, we want to support the Labour Government in the counter-inflation policy and to hold spending to the absolute minimum.

On the other hand, every instinct tells us that community services and social expenditure should be expanded.

"That is what we all came into this Party for. It is what many of you promised in your local election manifestos not very long ago."

Choice

A socialist budget for a local authority had to reflect socialist priorities. The interests of the worse off had be put above those of the better off.

"The choice is yours. The Labour Government will not stop you spending more on local services—if you are prepared to raise the money you need from the rates."

Mr. Denzil Davies, Minister of State at the Treasury, stressed that financial priority must be given to manufacturing industry.

The Government had to make sure that it did not take too much of the national cake for itself. Enough had to be left to provide for industrial investment and exports.

If this was not done, at the end of the day there would be no money to pay for the local government services. "We all desire," Mr. Davies told the conference.

British industry had to compete in world markets. To enable it to do so, new machinery and new investment was needed.

"This must mean some contraction in the proportion of resources made available both for local government expenditure and other traditional public expenditure," Mr. Davies said.

Mason attacks Tory anti-Soviet stance

MRS THATCHER was yesterday attacked as "Maggie the Cold War Warrior" because of her recent anti-Soviet stance, by Mr. Roy Mason, Defence Secretary.

The Tory leader had gone "screeching from her pantry door, barking back to the days of Britain's imperialist grandeur as if Britain alone can force Soviet Communism back to its own shores," Mr. Mason said in a statement to the Press Association.

Mrs. Thatcher's remarks had been "ill-timed and provocative" and could even bring back the spectre of cold war.

In the last few days, Russia's diplomatic pride has been markedly hurt by Tory attacks which led the Soviet ambassador in London to complain bitterly to the Foreign Office where he was told Britain was a free country with free speech.

Mr. Mason, who on Thursday returned from the nuclear planning group of Nato, said in his stinging attack that Nato, the U.S. and Western Europe knew full well the Soviet military expenditure and its growth. But the alliance was armed and alert.

Mr. Ian Gilmour, Opposition defence spokesman, said Russia had become convinced that Britain, under the present Government, was a "soft touch." That was why there had been so much reaction to Mrs. Thatcher's recent warnings about Soviet aggressive policies.

Mr. Reginald Maudling, "shadow" Foreign Secretary, dismissed the attack in one word—"poppycock." "That's the only comment I have," he said.

Soviet criticism of Mrs. Thatcher continued at the weekend when she was accused of being "hysterical and pretentious" by Red Star, the official publication of the Soviet Ministry of Defence.

This followed a vitriolic attack in Pravda and the letter of protest from the London Embassy accusing Mrs. Thatcher and other leading Conservatives of "extreme unfriendliness and even open hostility towards the Soviet Union."

The Red Star article launched a personal attack on Mrs. Thatcher and described her as "the Iron Lady."

More Home News on Pages 26 & 27

Unilever to buy Singer computers

By Christopher Lorenz, Electronics Correspondent

UNILEVER is to add the computer bureau operation of Singer Business Machines, SISCO, to its growing computer services interests.

The purchase of SISCO (for Singer Information System Company) on behalf of Unilever Computer Services is understood to be costing Unilever about £250,000, though no official figure has been revealed.

The purchase will cut the in-house proportion of the Unilever services company from the current 75 per cent., and will strengthen its position in the expanding computer services business.

It will also make a small contribution to resolving the future of Singer's European computer and business systems operations, which are currently up for sale following the U.S. headquarters decision to quit the business.

The Unilever deal has been under negotiation for about a year, whereas Singer's decision to sell its Business Systems division was announced only at the end of December.

CONSUMER CONFIDENCE

Sharp swing to optimism over financial outlook

BY DONALD MACLEAN

CONFIDENCE in the financial outlook on the part of consumers rose sharply in the month to early January, according to a survey carried out by British Market Research Bureau.

The number of consumers expecting conditions to worsen continued to exceed the number expecting an improvement, but by only 5 per cent. of the sample taken, against 22 per cent. in December.

At the same time, a survey of ABC1 men (which includes professional, managerial and clerical groups) showed a swing to optimism, with a margin of 4 per cent. looking for improvement, whereas in December there was a margin of 21 per cent. expecting conditions to worsen.

The improvement in confidence meant that for all adults the six-month moving average of the balance expecting a worsening fell to 20.2 per cent. from December's 22.5 per cent. so maintaining the trend away from the record 38 per cent. touched last April.

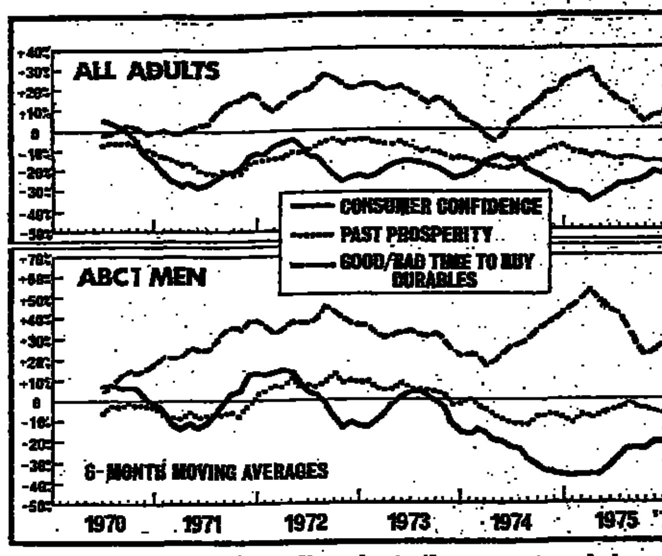
The number of people feeling worse off than a year earlier showed little change of trend, with a net 19 per cent. "worse off" in January, against 20 per cent. in December. But here too, the figures for ABC1 men differed appreciably from the overall, with the balance saying they were worse off falling to 3 per cent. from 13 per cent. in December.

The six-month moving average for all adults in this sector showed a net 17.5 per cent. claiming to be worse off, against 17.2 per cent. in December.

A strong rise took place in the numbers thinking it a good time to buy consumer durables, with a net 32 per cent. coming down in favour of buying, whereas in December the figure was only 2 per cent.

Among ABC1 men there was 46 per cent. balance in favour of buying, against 35 per cent. the previous month. A substantial part of these swings, however, is attributable to the onset of the sales season in the shops.

For all adults the six-month moving average showed a net 10.2 per cent. believing it a good time to buy against 6.5 per cent. in December.



The consumer confidence line charts the percentage balance of respondents expecting conditions to improve in the next 12 months over those expecting them to worsen.

Past prosperity is the percentage balance of people saying that their families are better off than they were 12 months ago over the balance saying they are worse off.

The durable line charts the percentage of those surveyed who think the present moment is a good one for buying consumer durables over those who think it is a bad time to buy.

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BSC £80m. scheme for South Teesside

By Our Darlington Correspondent

The British Steel Corporation is to spend £80m. over the next two years on improving its works at South Teesside.

Both the basic oxygen steelmaking plant at Lackenby and the associated continuous casting plant, which the BSC says will be the "lynch-pins" of the South Teesside complex, are to be improved.

The aim of uprating the BOS plant is to increase steelmaking from its present level of 2.2m. tonnes to 4.35m. tonnes by February, 1978.

All the iron produced by the 10,000-tonnes-a-day blast furnace under contruction at Redcar will be processed at Lackenby.

The new output will cater for a wide range of steel specifications to suit requirements of rolling mills at Cargo Fleet, Consett, Hartlepool, Lackenby, Skinningrove and Workington. Each of the three vessels in the BOS plant will be capable of producing 261 tonnes of steel every 47 minutes.

Another twin strand slab steel machine is to be added to the continuous casting plant to achieve an annual output of 2.307m. tonnes of blooms and slabs. Completion is scheduled for January, 1978.

The BSC said that some of the investment of Lackenby will be devoted to environmental improvements. Advanced fume collection equipment in the charging bay had been designed to capture 90 per cent. of fumes created during charging, taping and blowing.

"Practical and theoretical training for new and existing craft and production staff will be arranged to suit the development requirements of both the BOS and concast operating projects."

Len Murray gives pledge to unions in Ulster

MR. LEN MURRAY, TUC General Secretary, pledged the TUC General Council's support for the "Better Life for All" campaign launched in Belfast by the Northern Ireland Committee of the Irish Congress of Trade Unions.

He told at a meeting convened by the Committee to discuss the launching of the campaign. "The General Council of the TUC are fully behind you in your campaign, and I am sure that is true for all trade unionsists in Britain. Your aims are our aims.

"When we talk to the Chancellor of the Exchequer about concrete action—much needed now—to reduce unemployment we have in mind that unemployment here has long been higher than anywhere else in the U.K. to no little extent the violence and civil strife have been nutured here by persistently high rates of unemployment.

"We are working as you are working for the improvement of the social services, for the protection of all who through age or infirmity or ill-fortune need help. We, like you, abhor and reject discrimination on grounds of race, or religion, nationality or political belief. We uphold as you do the right of every individual to live free from the threat of violence."

Education needs its own Little Neddy, says NUT

FINANCIAL TIMES REPORTER

A BODY similar to the "little Neddies" that exist for various industries has been proposed by the National Union of Teachers to act as a "consultative forum" for the three partners in the education service — the Department of Education, the local authorities and the teachers' organisations.

A memorandum including this proposal has been submitted by the NUT to the education and arts sub-committee of the House of Commons expenditure committee, and NUT representatives, led by Mr. Fred Jarvis, general secretary of the union, will give oral evidence to-day.

The memorandum strongly criticises the Department of Education's "inadequate" consultation with the union and the teaching profession, and of its "failure" to involve both teachers' organisations and local authorities in the process of long-term planning.

It is also critical of the Department for "lack of co-ordination" with other government departments and local authorities within a broad framework of social policy.

The union agrees with many of the criticisms in the OECD report on Educational Development Strategy in England and Wales and draws attention to the report's comments on the DES's "opposition" to formal machinery of consultation and its preference for "informal" consultation.

But, at the same time, it strongly disagrees with the OECD suggestion that the Secretary of State and the DES should be more involved in professional teaching matters and the content of education than they are at present.

On its proposal for a "little Neddy" for the education service, the NUT points out that there is at present no forum where representatives of the three partners in education can meet to discuss problems and future plans for the service.

"We are constantly told of the scale of educational expenditure and the size of the work-force employed in the service, and of course, by those criteria the education industry is certainly big enough to warrant a body comparable to the "Neddies" which serve industries.

"The value of such a forum is to be seen not only in terms of the part it might play in associating the teachers and local authorities with DES planning activities, but also in affording the opportunity for discussion on such vital issues as the needs to be met in the Rate Support Grant negotiations and the implications of the settlement arrived at in those negotiations."

● Common Market proposals for the education of children of migrant workers in this country would cost £50m. and be totally alien to the nature of the education service, the Derby-based Professional Association of Teachers says to-day.

In criticising and opposing the EEC draft directive on education of migrant workers' children, which proposes they should be taught in their mother-tongue, the association urges the Secretary for Education to use his power of veto and prevent any such agreement being signed.

Mr. Ian Mitchell Lambert, vice-chairman of the Association, who is planning to travel to Brussels next month to discuss the directive with education authorities, said that if the directive became law it would have to become a law in this country and would override British law.

"It would create a dangerous precedent in that it would tell schools in this country directly what they will teach, and that has never happened before.

"This directive would mean taking on new teachers who could teach in the mother-tongue of migrants.

"This would be outrageous when already there are up to 7,000 trained teachers in Britain unable to find employment.

"Obviously, some consideration should be given to the mother-tongue and cultural needs of immigrant pupils but this should be done within the Community itself and not by law from Brussels."

Hopes raised for increase in sugar beet acreage

BY JOHN EDWARDS, COMMODITIES EDITOR

HOPES FOR a big boost in domestic sugar production in the U.K. this year have been raised by an announcement by the British Sugar Corporation to-day that farmers are planning to plant a record acreage of sugar beet this spring.

The corporation said it has achieved its target acreage of 510,000 acres this year, compared with last year's previous record total of 488,000 acres. The objective is to increase U.K. domestic sugar beet production above 1m. tonnes if possible and so provide nearly half the total supplies required.

Achieving the extra plantings, however, is only half the battle. During the past two years, the U.K. beet crop has been hit by disastrous weather conditions falling below 600,000 metric tons in 1974—the year of the great sugar "shortage"—and failing to recover much last year despite increased plantings.

However, the corporation is confident that the crop is unlikely to be hit so badly three years in a row, especially since there has been ideal weather for farmers in the past few months that should ensure good planting conditions in March.

An average yield per acre for beet is equivalent to two tons of sugar, so even if the full 510,000 acres are not planted a rise in production to 1m. tonnes or more this year seems feasible.

Mr. John Beckett, the new chief executive of the British Sugar Corporation, said the bulk of requests for increased acreage was coming from established growers. This was despite only a fairly modest rise to £19 a tonne of beet, including allowances paid to growers and the bad experiences of the past two years.

He claimed this was a vote of confidence in the corporation's plan to expand production to 1.25m. tonnes by 1980, and "proved the sceptics wrong" that the acreage target would not be reached.

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THE WAR IN ANGOLA

Recognise MPLA row in Lisbon

BY PAUL ELLMAN

LISBON, Jan. 25.

THE question of recognising the MPLA government in Angola was to-day threatening to turn into a full-scale crisis within both the Portuguese government and the country's military leadership.

Left-wing elements inside the government and the revolutionary council of the Armed Forces Movement, which meets Monday to discuss Angola, were preparing a fresh campaign in favour of recognising the Soviet-backed Luanda regime.

Attempts to recognise the MPLA's government at the time of Angolan independence last November foundered largely because it looked as if the Marxist movement was going to lose.

The Portuguese government subsequently stuck to a position of strict neutrality between the three warring movements, allowing each the right to station official delegations in Lisbon.

Over the week-end, however, the Foreign Minister, Major Melo Antunes, a leading supporter of the MPLA, let it be known that the government was about to reconsider its position of neutrality in the light of the MPLA's military successes.

Dr. Francisco Sa Carneiro, leader of the Popular Democrats, the country's second biggest party, told the Financial Times that recognition of the MPLA would precipitate a major crisis within the sixth provisional government at a time when it is already threatened by other Right-wing elements, notably the farmers.

Reuter reports from Kampala: President Jean Bedel Bokassa of the Central African Republic said he was prepared to help Unita-Fnla against the Russian-backed MPLA in the Angolan civil war, according to the State-owned voice of Uganda newspaper.

Slogans, lace and AK47s

BY STEWART DALBY IN SILA PORTO

IT HAD originally started out as an elaborate game of hide and seek roughly entitled "find the South Africans."

Here in Silva Porto the military headquarters of Unita, one of the three liberation movements struggling for dominance of Angola, not only the South Africans, but the war they are supposedly prosecuting on behalf of Unita seems very remote. Perhaps their reported retreat, whether strategic or tactical, had already begun.

When our small executive style Lear jet landed at Silva Porto we were strictly forbidden to leave it. Soldiers in jungle strip poked us back inside with captured Russian made AK 47 rifles and we spent an hour listening to Simon and Garfunkel on the tape recorder while our jolly Scottish captain explained we were unable to land at Huambo (formerly Nova Lisboa) because of thick cloud. Before the shutters of the Lear jet were pulled down and the door was slammed up two young white soldiers strolled by and in unmistakable South African accents said good morning. Off in the tall grass beside the runway another group of white men in military uniform orginally too young and green to be mercenaries sat around a gun emplacement.

By the time the president, Dr. Jonas Savimbi sanctioned our leaving the aircraft, the airfield had been sanitised. There were no South Africans, no Americans with attache cases, no Portuguese, no South African alouette helicopters. Only a couple of $DC3_s$ aircraft with no particular markings and a number of spotter aircraft remained.

We were then whipped off to what turned out to be the most pleasant kind of house arrest possible in the residence of the former Portuguese Governor, where we ate off lace table cloths and drank water (there being no alcohol anywhere here) from cut crystal glasses, listening to the opera *Don Carlos* on a stereo which (unlike the telephones) worked beautifully. The president, very much a man of the people lives more humbly.

The absence of alcohol is one of the tell-tale signs of what the war has meant to the south of Angola, the area dominated by the Ovimbundu tribe which supports Unita. Another, much more serious is the very acute shortage of petrol. A major occupation fo the idle here seems to be pushing abandoned vehicles.

Silva Porto like so many other towns in Angola was dominated by the Portuguese, very few of whom remain. Independence must have come to Silva Porto last November like a whirling dervish with a paint brush. There is not one of the neat two- or three-storey whitewashed European houses without a set of gaily painted slogans.

Abaixo Neto, Viva Savimbi, Viva Unita, down with Neto (the president of the rival Popular Movement), long live Savimbi, long live Unita, the slogans read. In the houses where lower middle class Portuguese once lived out comfortable lives in the sun, have moved peasants from the countryside. But because Silva Porto is set in rich agricultural countryside, there is as yet no shortage of food.

The shops are largely empty, even of food. A friend trying to buy the last packet of cigarettes in a tobacconist was told by a strapping South African soldier where he could find records. But for the most part the only things you find are totally useless commodities like elaborate electrical fittings.

But you would be hard put to buy anything at all because there is barely a currency market. The Pound sterling is about as valuable as a match and a U.S. dollar is worth little more. And yet Silva Porto works after a fashion. In Huambo, they say, there is no running water, the lavatories do not work, there are shortages of everything, the electricity breaks down. The water does not run because an underground pipe has broken and since the Portuguese took the plans with them no one can find the pipes. They have taken the plans for Silva Porto but the pipes are still intact so you can drink the water.

The schools are open, there is someone at the post office, though goodness knows where he thinks he is sending anything and a telex is but a dream.

Silva Porto then wears the air of an abandoned colonial outpost. What it emphatically does not resemble is a military nerve centre. There are few, very few, considering the circumstances, black troops in the town and, now, no South Africans to be seen. Here, For all the furore Angola is causing in London, Moscow and Washington, it is obvious that what is going on is a war fought in a very large, thinly populated country. Silva Porto is, after all, only some 150-200 miles behind the front line yet a British Red Cross team, providing, they say, the only reasonably equipped hospital between Silva Porto and the front line at Mussende, have had few casualties this month. Mostly they are dealing with normal accident cases.

The countrywide itself shows few signs of war. Drive out of Silva Porto in any direction and you come upon beautiful rolling pasture land with clusters of whitewashed, red tiled farmhouses set among down and woodlands.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Indian Casting Display (cl. Jan. 30)	28-30, Cork Street, W.1
Current	Leathergoods, Luggage and Handbags (cl. Jan. 28)	Royal Horticultural Halls
Jan. 27—29	Amusement Trades Exhibition	Alexandra Palace
Jan. 31—Feb. 4 .	British International Toy Fair	Metropole Centre, Brighton
Feb. 1—5	International Spring Fair	Nat. Exhib. Centre, B'ham
Feb. 1—6	Internl. Hardware and Housewares Trades Fair	Olympia
Feb. 8—12	Scottish Gifts Fair	Kelvin Hall, Glasgow
Feb. 8—15	International Furniture Show	Earls Court
Feb. 9—12	Spring Floorcoverings Exhibition	Metropole Centre, Brighton
Feb. 13—14	Cruft's Dog Show	Olympia
Feb. 15—19	Blackpool Gifts Fair	Winter Gardens
Feb. 15—19	Welsh Gift Fair	Sophia Gdns., Cardiff
Feb. 17—19	Brit. Growers Look Ahead: NFU Exbn./Conf.	Harrogate Exbn. Centre
Feb. 24—26	London Smallwares Trade Fair	Berners Hotel, W.1
Feb. 24—26	Midland Audio-Visual Show	Kenilworth, Warwicks.
Feb. 24—28	Automatic Laboratory Techniques Exhibition	West Centre Hotel, S.W.6
Feb. 24—28	National Stamp Exhibition	New Horticultural Hall
Feb. 26—Mar. 7 .	Boat Show '76	Belle Vue, Manchester

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Building Exhibition (cl. Jan. 29)	Munich
Current	Record and Music Publishing Market (cl. Jan. 29)	Cannes
Current	International Commercial Motor Show (cl. Feb. 1)	Geneva
Jan. 30—Feb. 1 .	British Luxury Fair	Dubai
Jan. 31—Feb. 15 .	International Sports Equipment Fair	Innsbruck
Feb. 1—15	International Trade Fair	Accra, Ghana
Feb. 8—10	National Shoe Fair	New York
Feb. 9—13	Tel Aviv Fashion Week	Tel Aviv Hilton
Feb. 13—16	Men's Fashion Show	Florence
Feb. 14—20	International Toys Exhibition	Paris
Feb. 16—19	International Hardware Fair	Cologne
Feb. 16—20	International Leather and Footwear Week	Zagreb
Feb. 17—20	Offshore South East Asia Exhibition	Singapore
Feb. 19—26	International Food Fair	Brno, Czechoslovakia
Feb. 20—29	Building Exhibition	Brussels
Feb. 21—25	Design Engineering Exhibition	Dusseldorf
Feb. 22—25	American Toy Fair	New York
Feb. 22—26	International Spring Fair	Frankfurt
Feb. 25—Mar. 4 .	International Mechanical Handling Exhibition	Basle
Feb. 27—Mar. 7 .	International Boat Show	Stockholm
Feb. 28—Mar. 7 .	International Tourism-Exchange Exhibition	Berlin
Feb. 28—Mar. 14 .	Ideal Home Exhibition	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Jan. 27	ICMA: Inflation Accounting after "Sandilands"	Piccadilly Hotel, W.1
Jan. 27	H. B. Maynard: Production and Worker Motivation	Royal Lancaster Hotel, W.2
Jan. 27	Institute of Purchasing: Packaging Revolution	Grosvenor Hotel, Chester
Jan. 28—29	Financial Times and Investors Chronicle: Counter Inflation Policy	Royal Lancaster Hotel, W.2
Feb. 3—5	IPC Business Press: Power Farming Conference	Royal Bath Htl., Bournemouth
Feb. 3—6	Bradford University: Improving Staff Performance	Heaton Mount, Bradford
Feb. 3—6	Direct Mail/Marketing: International Conference	Meridien Hotel, Paris
Feb. 4—5	Financial Times and Investors Chronicle: Euromarkets in 1976	Royal Lancaster Hotel, W.2
Feb. 9—10	Financial Times: Pensions in 1976	Royal Lancaster Hotel, W.2
Feb. 9—12	Assoc. of Cert. Accountants: Internal Auditing	Clifton-Ford Hotel, W.1
Feb. 9—13	Kepner-Tregoe: Decision Making for Senior Man.	Royal Bath Htl., Bournemouth
Feb. 9—20	H. Mitchell and Partners: Method Study Course	Beeston, Notts.
Feb. 10—11	City University: Accounting and Finance in Europe	Plaisterers Hall, E.C.2
Feb. 11	College of Marketing: Sales Sauna	Gloucester Hotel, S.W.7
Feb. 11	Economic Models: U.K. Financial Forecasts	30, Old Queen Street, S.W.1
Feb. 11	Risk Analysis in Investment	Imperial College, S.W.7
Feb. 12	Executive Information: Leadership Crisis	Hyde Park Htl., S.W.1
Feb. 12	Henley Centre: Forecasting Systems	Howard Hotel, W.C.2
Feb. 15—20	R.P.N.: Safety in Plastics and Rubber Industry	Fanhams Hall, Ware
Feb. 16—17	Wales Man. Centre: Industrial Marketing	Newcastle-upon-Tyne
Feb. 16—20	P-E Cons. Group: Leadership in Management	Training Centre, Egham
Feb. 16—20	Urwick Man. Centre: Management in R and D	Slough, Berks.
Feb. 16—20	Ind. Assessment and Research: Personnel Testing	57, Marylebone High St., W.1
Feb. 16—20	Roffey Park/IPM: Interaction Analysis	Roffey Park College, Horsham
Feb. 17—18	Financial Times, Chamber of Commerce and Industry, Kuwait, Fairplay International Shipping Weekly: Arab Shipping and Trade	Chamber of Commerce & Industry, Kuwait
Feb. 17—20	Petroleum News: Offshore South East Asia	Singapore
Feb. 18—20	Frank Jefkins: Effective Publicity Writing	Connaught Rooms, W.C.2
Feb. 22—Mar. 5 .	W. D. Scott: Organisation & Methods	Moor Hall, Cookham, Berks.
Feb. 24—26	Coll. Dist. Trades: The Financial Module	30, Leicester Sq., W.C.2
Feb. 24—26	Dept. of Ind.: Maintenance Engineering	Royal Lancaster Hotel, W.2
Feb. 26	Inst. of Fuel: Growing Energy	Royal Htl., Southampton
Feb. 26	BCEMA: Profit from Plant Performance	Cafe Royal, W.1
Feb. 26—27	Fire Protection Assn. National Conf.	Excelsior Htl., Heathrow

OVERSEAS NEWS

Kissinger gives boost to new Spanish regime

ROGER MATTHEWS MADRID, Jan. 25.

SPANISH regime buoyed y fullsome American t for what Dr. Henry ger sees as "its gradual isation programme". is outline its policy aims this mid a continuing economic political challenge from the nd indications of a back- om the extreme right.

Kissinger left here to-day pledged to put the newly Treaty of Friendship and ration before the Senate row morning for ratifica- Under the treaty Spain receive military and nic aid of $1.250m. over ext five years, while the ill maintain its four bases in but will withdraw its r missile carrying sub- s from the rota naval efore the middle of 1979 last minute decision of ngton to upgrade the ent to a treaty completed ly satisfactory weekend for n Minister Jose Maria de a. It was also coupled promises to urge Spanish ership of NATO and to t similar moves towards ommon Market.

before Dr. Kissinger d yesterday about 6,000 s from the aviation com- CASA were brought under ry discipline. They are sible for servicing some h military and U.S. air- and had been on strike for night. Over 130,000 workers w under military command everal shop stewards from ost Office and railways in awaiting possible court al for sedition.

Madrid engineering sector badly hit by strikes, with ler warning that it cannot n its doors until there was a change "in the atmosphere of violence and threats."

Secondary school teachers are also adopting a more militant stance with the likelihood of further schools being affected by strikes to-morrow. The capital's two main social security hospitals called in police yesterday to eject staff holding protest meetings.

Stoppages have also hit the country's two other main car manufacturing plants of Fasa-Renault and Seat. In Cordoba several workers were injured during violent clashes between construction workers and police who used rubber bullets and baton charges to disperse the men.

Within the regime immediate attention is focused upon to-morrow's meeting of the Council of the Realm, which has been asked to approve the Government's decision to extend the life of the Cortes by a year in order to facilitate electoral and constitutional reforms. During its two meetings last week the Council, which always performed exactly according to the wishes of General Franco, was unable to reach a decision. Seven of the 17 members are presently opposed to the Government's request, six in favour, three have so far abstained and one was absent from the meetings. Perhaps significantly among the abstentions are two serving Generals, who should have been expected to back the government line.

If the issue remains unresolved for another couple of days it could prove highly embarrassing to Prime Minister Carlos Arias when he appears before the Cortes on Wednesday to explain in detail the Government's plans for the coming year.

Mitterrand plays down European Socialist 'split'

ROBERT MAUTHNER PARIS, Jan. 25.

FRANCOIS Mitterrand, the h Socialist leader, to-day out of his way to play down ts that the recent Socialist national meeting in Den- had led to a split in the pean Socialist movement een north and south.

e reports were based mainly e fact that prominent West pean Socialist leaders such Herr Helmut Schmidt, the German Chancellor, and Harold Wilson, the British e Minister, had come out y at the Elsinore meeting st alliances between list and Communist Parties the French model. The nisation of a special ern European Socialist Con- ce this week-end in Paris, g so soon after the Socialist national meeting, did noth- o dispel the impression that pean Socialists are now ed into two camps.

ile not denying the exist- of these differences, M. rrand indicated at a Press rence that they should not ver-dramatised. Socialist es in countries with large nunist parties could hardly xpected to adopt the same strategy as those in countries where Communists were in a small minority. The Socialist parties in countries like France, Italy, Greece, Portugal and Spain thus have something in common with each other. It was therefore useful that they should have an exchange of views on their own particular problems.

Doctor Mario Soares, the Portuguese Socialist leader who was prevented from attending the meeting because of a previous engagement in the U.S., and who has few reasons for satisfaction with his alliance with the Portuguese Communist Party, made a similar point in a special message to the conference. This was clearly intended to scotch rumours that he had not attended the meeting because he wanted to dissociate himself from other Socialist parties, who might favour an alliance with the Communists.

The Spanish Socialist leader, Senor Felipe Gonzales for his part, said that any move towards democracy in Spain must involve the legalalisation of all political parties including the Communists.

BRIEF

igeria cancels ment deals

TY-THREE overseas con- ors have agreed to cancel ut compensation 6.5m. s of cement ordered by ria, the special panel liating outstanding claims contractors announced in s, our correspondent writes. announcement said six com- s which had previously the Federal Government to over disputed orders were g those who have consented e cancellation of contracts h Naira260m. It listed them Ciment Vicat of France, mus DV of Netherlands, Columbia Sea Bulk Carriers merica, IWC Finance Cor- tion and Anglo-French Steel oration, both of Britain, and s Marketing.

e Cement Contracts Nego- g Committee renewed als to other contractors to don court action and nego- a reasonable settlement.

clear explanation

Anthony Wedgwood Benn, ain's Minister for Energy, is g invited to Brussels to ain to the European Parlia- t's energy committee ain's decision to pull out he Dragon nuclear project ng radical changes in its cing. The committee is ous to investigate the pro- s which went into the sion to pull out of the ramme. It is stressed that purpose is to study the sion-making aspects rather the political aspects of the ter, writes David Curry in ssels.

osure ordered

eria has ordered the closure the U.S. radio monitoring on in Kaduna. The reason not immediately known but e local newspapers have rged that the radio station being used for clandestine vities by the CIA. Relations ween Lagos and Washington e been uneasy lately in view of America's involvement in Angola.

Cubans with Polisario

The Spanish news agency, Europa Press, says that Vietnamese volunteers and Cuban advisers had joined the Algerian-backed Polisario Front guerillas fighting for the independence of Spanish Sahara. The report said the front was now using French-made tanks in its guerilla campaign against the Moroccan and Mauritanian administration being formed in the Sahara.

India detention law

The Indian parliament has approved a Bill which makes it against the public interest to disclose the grounds for detaining a person under the present state of emergency. Home Minister Brahmanand Reddy said the Government had no intention of justifying detention in bad faith.

During a brief television interview to-day M. Jacques Chirac, the French Prime Minister, on a visit to India, said he had been impressed by the ability of the Indian Government under the leadership of Mrs. Gandhi. She was very popular in the world because of her efforts to solve the problems of the Indian people, he added.

UNCTAD talks

The world's poorer nations, growing increasingly impatient over their slow rate of development, to-day start mapping out strategies for a better deal from the more affluent countries at the United Nations Conference on Trade and Development meeting in Manila.

OPEC meets in Paris

Ministers from the 13 OPEC countries, deserting their Vienna headquarters for fear of a repeat of last month's guerilla attack, meet amid blanket security in Paris to-day to complete plans for a $1bn. third world aid fund.

New York City plan in danger

By Jay Palmer

NEW YORK, Jan. 25.

NEW YORK City's immensely complicated plan to avert bankruptcy appears to be in danger of collapsing. Over this week-end New York State Governor Hugh Carey ordered an immediate revision of the City's emergency financial plan

At the same time, in Washington a senior Treasury official told Congress that the city administration was not meeting Federal criteria for reordering its fiscal practices. Mr. Edwin Yeo, Under-Secretary of the Teasury for Monetary Affairs, warned that Federal loans might have to be withheld if the situation did not improve.

Although Mr. Yeou noted that the "city has made very substantial progress," he insisted that it had already failed to meet its fiscal targets of proposed spending cuts. The Federal government is authorised to lend New York City up to $2.3bn. a year

According to a recent study by state officials monitoring the city's progress, the city has now cut its budget by $95m. This compares to the original mid-January target of $116m. and eventual fiscal 1975-76 cuts of $200m.

City officials, who maintain that this is only a temporary slippage that will soon be taken up when planned economies at city university and the hospitals are put into effect, are adamant in opposing the planned 1976 budget cuts of state aid to the city. The proposed reduction exceeds $100m.

SYRIAN INVOLVEMENT IN LEBANON

Laying it on the line

BY ROBERT GRAHAM IN DAMASCUS

The events of the past week in *Lebanon have left in their wake* a host of anxious interrogatives. Has the ten-month-old Lebanese conflict now passed its decisive phase? Has a genuine process of negotiation begun? Can a wounded but defiant Maronite *Christian minority stomach* a new confessional balance? Diplomats and officials here would desperately like to answer in the affirmative. Some do. But caution, reinforced by bitter-experience, makes people wary and after the first sigh of relief at the ceasefire, the sheer enormity of getting the warring factions to agree to a compromise is beginning to sink home.

One thing is certain, however. The tension generated by the consequences of a possible Syrian annexation and a consequent Israeli intervention has subsided, albeit temporarily. All along, Syria has been very conscious of the dangers of internationalising the conflict. But the price *Syria has had to pay* now to keep Lebanon outside the international arena, or at least on the periphery, is a major and unprecedented political commitment.

Syria has staked its prestige more than ever before on this ceasefire and on these negotiations for a political settlement. It cannot back out now very easily and it is pledged to preserving the integrity of a State in which there already exists a form of de facto and certainly, psychological, partition.

Despite the latent revanchism, which many in the Arab world and outside suspect Syria harbours *dating back* to the days when Lebanon was carved out of Greater Syria, the Syrians have been drawn into their present position for different reasons. For one the resignation of Mr. Rashid Karami, the *Moslem premier* threatened to remove from leadership the one man whom the Syrians felt had any chance of holding a multi-confessional Lebanon together, and the working out a new political compromise.

The alternative was seen as an unacceptable military Government. Secondly the phalangist militia's attacks on Palestinian refugee camps were seen here as provocation which could scarcely be ignored. The Druze leader, Mr. Kamal Jumblatt, came to Damascus last Tuesday and brought a message from the PLO leader Yasser Arafat. This apparently stated very bluntly that Arafat could no longer hold back the PLO from using its full military force. Given that the Syrians have always seen themselves as the Palestinians' foremost defenders, they could scarcely ignore the deteriorating situation.

Thus the Syrians, no doubt *with memories of 1971 in Jordan* when Palestinian units riding Syrian tanks crossed over from Syria, were left with their most dangerous and decisive card—the threat of a major intervention by the Palestine Liberation Army from Syria. No more than 2,000 PLA regulars crossed into Lebanon: just enough to alter the military *balance and create a psychological* climate without giving Israel any excuse to act.

But if these are the immediate reasons for Syria's present position there are other more important tactical and strategic ones. The threat of secession by the hard-line Maronites has been viewed with concern here throughout the Lebanese civil war. This would create a precedent for a sort of Balkanisation for many of the minority communities in the area — to say nothing of knocking on the head the concept of a democratic lay State in Palestine. Syrian Foreign Minister Mr. Abdul Halim Khaddam's blunt statement threatening annexation if this happened has to be seen in this light and not in pursuance of ancient territorial claims.

The argument that Syria would like to extend its front with Israel into Lebanon is far from convincing.

Diplomats here maintained that such a move would entail serious disadvantage to Syria: the Syrians would have an extra 150 kilometres of territory to cover in defence, including the sea: the neutral buffer of Lebanon, useful in previous wars would be removed; ability to use such Lebanese facilities as electricity and fuel (as they did in 1973) would be threatened as there would be nothing to prevent the Israelis extending their aerial bombardment to these strategic targets in Lebanon. Even now as a result of the fighting in Lebanon, civil airlines *are having fuel problems in* Damascus.

Tactical and strategic arguments apart, Syria has a strong vested interest in seeing an early settlement. There are now over 200,000 persons who have fled Syria living in Lebanon—the figure may be much higher. The economy cannot really support them for an indefinite period. In Damascus the Lebanese influx has had a dramatic effect on prices, particularly housing, and at a *more general* level the "Lebanisation" of some aspects of Damascus life can scarcely be viewed favourably by the Socialist Baath leadership.

Thus the Syrians now find themselves at a vital interest in *a Lebanese settlement*. Although it is recognised that through their close connections with the Moslems, the Left-wing groups and the Palestinians, they are the guarantors of the good behaviour of one of the warring sides, the Syrians are anxious not to be associated with just them. In the past few days the Press has carefully stressed that Syria is seeking to play an even-handed role.

But the dangers in this situation are still obvious. If the cease-fire collapses and the political talks break down, it is hard to see the Syrians not becoming more directly involved. If secession is declared by the Maronites, can the Syrians stand back—even though they know too well the dangers of annexation?

Rabin leaves for crucial U.S. visit to-day

By L. Daniel

JERUSALEM, Jan. 25.

NO RADICAL new proposals will be taken by Israeli Premier Yitzhak Rabin to Washington, judging by the brief communique issued after to-day's Cabinet meeting on the eve of Mr. Rabin's crucial 10-day visit to the U.S.

The terse communique issued after the Cabinet meeting said that Rabin's discussions with U.S. Administration officials would be based on existing Cabinet decisions. One of the objects of the talks in Washington was the working out of a U.S.-Israeli understanding on the way forward in the Middle East following a period of strained relations.

A few hours before Mr. Rabin's departure, the Cabinet also state that there should be no talks with the Palestine Liberation Organisation (PLO), now at the centre of the stage.

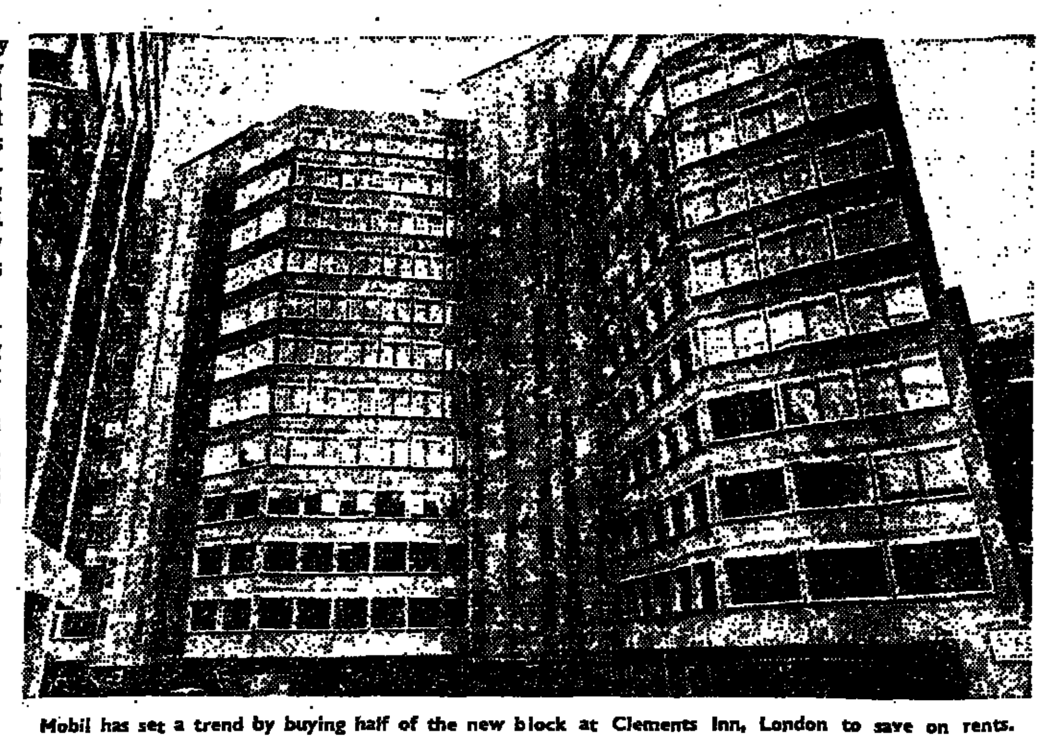
UPI reports: The Americans were expected to discuss their reported efforts to arrange an Israeli-Jordanian interim settlement, sources said.

Israel is pushing for a renewal of the Geneva talks to counter the Arab drive to move Middle East peace initiatives into the Security Council, the sources said.

The Office World

When it pays to buy your building

BY QUENTIN GUIRDHAM, PROPERTY CORRESPONDENT



Mobil has set a trend by buying half of the new block at Clements Inn, London to save on rents.

MOBIL HAS a worldwide policy that anywhere it intends to stay for a matter of decades the oil group likes to own at least part of the equity of the office blocks it occupies. It has just demonstrated this in London by buying half of the new block at Clements Inn, next to the Law Cou.ts, where the rent totals £850,000 a year.

Doing this deal now, by paying £6m. for half the building and effectively reducing that rent to £425,000, at least until the first rent review, is perhaps more than just an extension of Mobil's general policy. This policy sees property owning as a general inflation hedge and also providing advantages in the management of buildings.

But buying now, with the prope.ty market on the floor, has particular significance. Mobil's move may indicate a trend: Those big space-users, with some faith in the economic future (hence future rent levels) and capital resources at present, will possibly never have a better chance to purchase their buildings and stop paying rent. The Mobil men who will occupy Clements Inn are largely North Sea production administrators, who presumably epitomise our hopes of economic recovery.

Any pronounced trend to owner-occupation of London offices would be setting back the clock in property te.ms and, by tying up capital, also run against most theories of company financing. But there are specific reasons why London could upset the pattern.

Expensive

To start with it has the most expensive office space of any financial centre. When the best accommodation in the City was fetching over £20 per square foot in 1973 the difference between London and elsewhe e. had become absurd. Now that City rents have fallen back, apart from a few specialised sites, to around £12.50 per square foot, the contrast is still stark.

Making rough comparisons, Paris could cost £8 per square foot and Frankfurt £5; Brussels is around £3.75 and Rotterdam £3; New York (with approaching 30m. square feet of offices empty) might cost around £2.75 per square foot. Montreal £5.50 and Sydney £4.50. Obviously the City is a very special case of overcrowding and hence high property values. So to take a West End :ent of £8 might make a fairer comparison.

London also shows a higher rates cost than most capitals. With rents having dropped, much of the advantage to those signing new leases has been lost through rate hikes like that the City experie:ced when the total commercial rates it raised went from £85.8m. in 1974-75 to £135.6m. for the current year. Next year will not see a rise of such magnitude with the Greater London Council giving a lead in holding its precept.

Even so, at present rental levels, the rates bill on a City office is already over half as large as the rent (of course on many old leases in the City the rates will be three or four times rent). In Victoria rates are 40 per cent. or more of rent and in Mayfair over 30 per cent.

So total accommodation costs may have dropped in London but even though tenants can for the moment sleep easy at the prospect of their next rent review, rates have rapidly become a significant factor, along with service charges, and these cannot be controlled. It is unlikely that we will get back to total costs as high as those for the 1973 City unfortunates, who with the rate rise can now be paying around £3,200 per employee for accommodation (and that is on the basis of only 100 square feet per employee). But rate rises will ensure that total costs for the best accommodation creeps back towards this figure.

Despite this heavy burden, there is still a reasoned argument for thinking that rent levels will also start another spiral towards the end of the decade. This may seem hard to comprehend now, with 11½m. square feet available in the London area, with perhaps 6m. of this in the central more expensive locations and 3m. in the City.

But the gradual run-down of development activity could create shortages for good, modern space if London remains a key international centre and if the local economy recovers. What is unlikely to happen again is a general price rise, applying to virtually all types of offices.

It is likely that only the new or modernised offices which offer high space utilisation will enjoy a future boom. And the slowdown in development will almost certainly first influence the market for large units, the magic dividing line usually being 50,000 square feet. Mobil's experience, where it more than once lost large buildings (Clements Inn is about 90,000 square feet) to the bureaucrats in the shape of the Property Services Agency is typical. Commercial groups, with some justice, claim that government can always outbid them.

Despite the irony of a still almost empty Centre Point, the supply of good modern buildings in the 50,000 square foot or more class is dwindling. Apart f.om the PSA, which does not appear to have satisfied its appetite for central London space yet, there are a handful of major international companies also looking for headquarters buildings.

Resources

It is usually precisely this sort of company which has the resources to consider buying as an alte.native to renting. Where Continental management is involved, the habit of renting is not so ingrained. So perhaps the major compan:es will set an example which small ones might follow (though with more difficulty, since self-contained blocks of the right size are harder to find and it is not possible, as it is elsewhere, to buy the flying freehold of a single floor of a large block). In principle, the consideration is simple: could the notional loss of income, whethe: from investment outside the company or within it, be less than the savings on rent?

The yield on which a company can buy its property is one key (Clements Inn was in line with the market at just under 7 per cent.). The estimate of future rental values, and hence what happens at your rent review, is another. And, of course, the sum is basically to do with how much a company reckons it can do with its money. If it thinks in terms of a 20 per cent. return, then it has to take a very bullish view of the economy (perhaps it is doing that anyway to expect 20 per cent.) and hence the future rise in rental values, to justify putting its capital into its property.

It is those who expect lower returns, but nevertheless believe that London, for its own special reasons, will reassert the huge gap between property values here and those in other commercial centres, who are most likely to change the business habits of several decades and try to buy their buildings. The added long-term value of a freehold under the community land scheme might be the final incentive. Waiting much longer might see the troubled property companies in good enough health to fight for much lower yields and higher prices.

The importance of colour

BY SYDNEY PAULDEN

FACED BY a choice between paying the high cost of photography and printing to produce small runs of colour documents or making-do with black and white copies, British business has resigned itself to monochrome.

Yet without colour, business communications and office documents have lost a dimension that could greatly increase their effectiveness. Not only is colour the natural way of seeing things, but tests have shown that, used wisely it speeds the reader's grasp of data, helps him (or her) to remember information, encourages people to look at a document and reduces the rate of errors in carrying out instructions given in a document.

Colour, as engineers and designers have long known, is a prime tool in simplifying the presentation of complex data, and, of course, advertisers, by virtue of their willingness to pay so much extra for colour displays and brochures, stress the value of colour in winning a reader's attention and goodwill.

An office could benefit from all these characteristics of colour in the production of documents such as pie charts and bar charts for board meetings and sales conferences, for inter-branch reports, for office layout maps or proposals, for the presentation of quotations to clients, for distribution of colour roughs to members of a committee approving a design. Low-cost colour copying would solve the problem that so many managers are faced with when a few extra copies of a printed colour brochure or report are required at short notice, or when coloured letterheadings have to be amended suddenly.

It now looks, however, as if the colour copying era has at last made a significant appearance in the U.K. Rank Xerox has equipped seven of its copying bureaux in London with Xerox 6500 colour equipment, enabling clients to hand in an original document and have up to seven-colour copies made on the spot. Hopefully, companies like 3M and Mitsubishi will have their colour copiers in the U.K. soon, too.

Colour copies are approximately 50p each up to ten from one original, and 20p thereafter. Transparencies can be produced at £1 each, with a minimum of 20 copies being stipulated.

For the past two years seven large organisations in and around the City have been using rented in-house Xerox 6500s and this number is being increased to 45 by the summer, but still in the London area on an extended market trial.

The constraint is the investment required in technical manpower to sell and then maintain and service the equipment by the manufacturer. R Xerox is aiming to concentr its resources until one mar region is near saturation bef launching into the next regi

In 1975, during the R Xerox market exploration p gramme, PA International M agement Consultants carr out a research project, sitt alongside executives and th copying machines (black white) inside a local autho office, a building society, manufacturing company and advertising agency.

Including letters, memos telexes (which made up 30 cent. of documents be copied) it was found that per cent. of all business do ments would materially ben by the addition of colour. originating departments t would most benefit were s plies departments, finance partments, managing direct offices, corporate planning manufacturing services tions. These areas could ben from colour to the extent from 21 per cent. up to 95 cent. of the documents th handled.

A psychological research c pany, Conrad Jameson Ass ates, contributed to the research project by conduct tests devised by John Rowar social psychologist. A hund men and women at a time w sat in halls in places such Bexley and Roehampton presented with a variety office documents borrowed fr different organisations.

One astonishing fact t emerged from the tests was t there was an error rate of per cent. when they were as to gather straightforward formation from these every communications.

However, on some of documents, the addition colour reduced the error r by as much as 50 per cent. a increased the speed of gather information by up to 41 cent. The degree of effect colour fluctuated and was p ticularly susceptible to the of the person undergoing test.

Admittedly the tests we carried out before the S Discrimination Act, but it c be reported that on a black a white version of a cooling wat flow diagram, women made per cent. errors and men on 24 per cent. On the colour version of the diagram, wome improved to a 27 per cent. err rate, while men got their pe formance to 16 per cent. error

EXECUTIVE HEALTH

The patterns of sleep

WHAT IS sleep? The Concise Oxford Dictionary does well by saying: "Bodily condition, normally recurring every night and continuing several hours, in which the nervous system is inactive, eyes are closed, muscles relaxed and consciousness nearly suspended . . . "

Physiologists have argued for generations on the subject, having particular regard to the quaint question as to whether the wakened state is the norm (and that through some mechanism the sleep centres in the brain are stimulated at regular intervals) or whether sleep is the natural state and only depression of the sleep centres causes wakefulness. Certainly, when one looks around, the second theory tends to recommend itself.

Apart from academic considerations, however—and excepting certain diseases such as African Sleeping Sickness or the temporarily extinct *encephalitis lethargica*, when sleep is a pathological symptom — most people are concerned only with the lack of what they believe to be their necessary period of sleep.

A common notion is that eight hours for an adult is essential. For some it may be, but the notion was criticised as long ago as 1760. As a physician writing then put it: "The real quantity of sleep cannot be measured by time: as one person will be more refreshed by five or six hours sleep, than another by eight or ten." He insisted that no adult should have more than eight.

This belief was held by an earlier physician who said that: "He who lieth abed more than eight hours no longer sleepeth but slumbereth"—using the word "slumber" in its onomatopoeic sense suggesting a lead-like and exhausting process.

Doubtless we don't require as much sleep as we believe we do, but the very persistence of the belief works like yeast in the person with mild insomnia and ensures wakefulness. Some people suffer from absolute insomnia and must be treated medically: many more who *fancy* they do, frequently sleep more than they think, as any night-nurse can verify.

Howbeit, if the patient worries about his belief, then he should be helped. Medicaments may be needed but simple methods should be tried first. As the commonest cause of sleepessness is a mixture of anxiety and "set thinking," the executive who takes his work home (and it is useless advising him not to) should stop that work at least an hour before bedtime and go for a walk or bend his mind to some hobby which demands totally different thought processes, an exercise that is curiously sublimating.

And for those who awaken in the dead, dark hours, a warm, milk drink may work better than pills or potions. But the drink must be in a Thermos by the bedside because getting up to prepare it is an enlivening performance.

Some people enjoy broken sleep—so long as they can regain unconsciousness. I discovered this when, as a young recruit I had to do guard-duty. The sergeant in charge was called Emerod and his great joy was to doze, so each man on guard had to awaken him every 15 minutes. As the guard was in the street and Emerod on the first floor, the only way this could be done was to tie a string round one of his big toes and hang it out of the window. Every 15 minutes one gave it a gentle tug and he was happy. In emergengies the tug had to be harder so that he should be warned of trouble.

At three one morning when I was on guard, I dozed off only to be rudely wakened by the bellow from the orderly officer. Not only did I tug the string, I fell over my rifle with the string caught round the barrel.

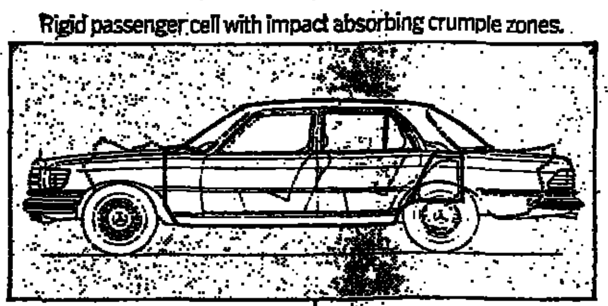
Immediately from on high came a scream like a dying dinosaur. Forgetting my sin, the officer and his NCO rushed upstairs to find poor Emerod, half naked, hopping about on one leg in great agony. His was the only dislocated toe I have ever seen—and it caused me almost as much discomfort as its maddened master suffered.

Dr. David Carrick

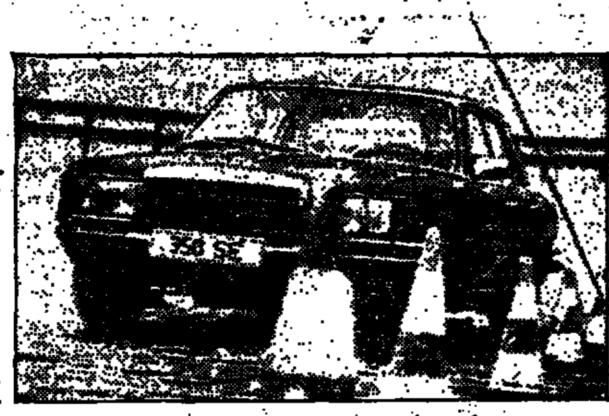
How safe is the car you're getting into?

Pillars channelled to keep side windows clear.

Rigid passenger cell with impact absorbing crumple zones.



Aerodynamic ribbing aids rear light visibility.



Thanks to the law, most car manufacturers now accept some measure of responsibility for your safety.

And most are happy to talk to you about collapsible steering columns, resilient bumpers and burst-proof locks.

But surprisingly the most vital topic of any car safety discussion is frequently passed over.

The driver.

With 13 million cars crowding our city streets and restricted motorways, we believe that driver stress is of critical importance.

That's why you'll find that every Mercedes is designed specifically to ease the pressures on the driver.

So that he can feel confident about all that happens around him.

Our advanced engineering features, like anti-dive front suspension, directionally stable rear suspension and 4-wheel disc braking ensure precise handling. And that's something that takes a load off a driver's mind.

Another comforting feature of our cars is their interior.

Not merely in terms of opulent fittings and upholstery. But in terms of 316° all-round visibility, anatomically correct seating, logically arranged controls that you can reach without straining and a door mirror that adjusts from inside.

Our concern for drivers extends outside our cars. To dirt-resistant rear light clusters. And ingenious channels that divert rain from obscuring your view.

In all, each Mercedes incorporates over 100 features in its integrated safety system.

Just as you'd expect from the inventors of the passenger safety cell, many are designed to have a cushioning effect, should an accident occur.

The front and rear crumple zones are designed to absorb impact progressively.

The sides are reinforced against collisions. And the interior is furnished with padded, recessed and deformable fittings.

But, as we said earlier, we believe our cars' greatest strength is their natural ability to keep a driver out of trouble too.

And ultimately, that's what makes a car safe enough for you to get into.

Mercedes-Benz. The way every car should be built.

Mercedes-Benz (United Kingdom) Ltd., Great West Rd., Brentford, Middlesex TW8 9AH. Telephone: 01-560 2151.

For enquiries about export and diplomatic purchase please contact: Export Sales Division, Avenfield House, 127 Park Lane, London, W1Y 3AS. Tel. 01-629 5578.

Building and Civil Engineering

Nigerian irrigation projects

THE CHAD Basin Development Authority, Government of Nigeria, has awarded the first of a number of major construction contracts in its South Chad irrigation project, to a consortium formed by the Greek firm Edok-Eter and a Nigerian company Mandilas.

The contract, worth about £13m. is for the construction of a 30 km. feeder channel from Lake Chad to the project area involving the excavation of some 5m. of spoil, partly dredged, partly dry.

The Authority has also awarded a second contract for the supply and installation of pumping plant at the project's two main pumping stations. This contract, worth about £3¼m., has gone to MAN of West Germany.

MRT Consulting Engineers (member of Sir M. MacDonald and Partners), consulting engineers for the project, says that a number of other major contracts, which will complete the first stage of the scheme, are currently out to tender or are under tender adjudication. These include contracts for the construction of infrastructural works, an irrigation and drainage system covering 55,000 acres and the building and equipping of a power station of ultimate capacity of 25 MW.

Housing at Luton

JOHN WILMOTT HOUSING has been awarded a contract by the Borough of Luton to undertake a housing development at Beadlow Road, Luton, consisting of 61 houses, 21 flats and a block for elderly people.

Value of the contract is just over £1m. and the starting date is February 9.

£1¼m. road awards

RUSH and Tompkins (Civil Engineering) has been awarded a contract by Bracknell Development Corporation for roadworks on the A322. The value is just under £900,000. Construction of two roundabouts, five pedestrian subways and just over 2 kilometres of roadworks are involved.

The Rush and Tompkins Group has also secured two contracts in the East Midlands. The first, for the City of Nottingham, consists of 1 kilometre of single carriageway road surface water drainage at a cost of £130,000. The other is for the construction of roadworks for Nottinghamshire County and consists of about 800 metres of carriageway, together with a pedestrian subway. The value is £223,000.

More work for Lesser

A SCHOOL and a Woolworth store are among the latest contracts awarded to the Lesser Group.

Largest of the contracts is worth £2.1m. and is for Culduthel Secondary School, Inverness. This will accommodate 1,200 pupils and 100 staff and is due for completion in August, 1977.

The Woolworth contract, worth £320,000 and the second to be awarded by the company to Lesser in Scotland, follows a store in Linwood and the completion in England of five stores, with a sixth at Chesterfield now in an advanced stage of construction.

The latest Scottish Woolworth store, in Kilmarnock, forms part of a development in the town centre and Lesser is to provide the internal walls, ceilings and partitioning, shopfronts, automatically operated sprinkler system, goods lift and all internal finishes and services.

Over £2m. worth for Fairclough

FAIRCLOUGH is to build the first phase of the Rhyl Leisure Centre for the Rhuddlan Borough Council at a cost of £2m.

Work by the Fram-Gerrard Division has begun on the contract which will take 70 weeks to complete.

Architects are Gillinson, Barnett and Partners and the consulting engineers are Suszer Bros., U.K.

Also to be built by Fairclough is a new reservoir at Sandringham, Norfolk.

The £155,000 contract is with the Anglian Water Authority, Lower Ouse Water Division and work will start on March 1.

At Jealotts Hill, Bracknell, Berks, the company is to construct an extension to the sewage disposal works for Imperial Chemical Industries, at a cost of £103,000. This also starts on March 1.

At Ashton-under-Lyne, Fairclough is carrying out interior refurbishing of the Tameside Theatre for the Tameside MBC at a cost of £53,000.

Wallis wins £1m. jobs

TWO contracts together worth about £1m. have been awarded to G. E. Wallis and Sons by Kent County Council.

One, valued at £873,000 is for enlargements and adaptations at Mascalls Secondary School, Gedges Hill, Paddock Wood, Tonbridge, Kent. The work is expected to take about three years to complete.

The other, worth £215,000 is for the construction of a two-storey staff and student communal block and a three-storey library extension at West Kent College, Tonbridge.

£1m. Tarmac contracts

TWO PUBLIC authorities have placed contracts worth over £1m. with Tarmac Construction.

Largest is a £441,553 reservoir project at Whitgreave, Stafford, for the Severn-Trent Water Authority. During a 65-week period Tarmac will construct an insitu reinforced concrete reservoir with a total capacity of 25,000 cubic metres.

The Severn Trent Water Authority has also awarded Tarmac a £396,199 contract to construct an extension to sewage works at Coven Heath, near Wolverhampton.

At Coventry, the company is to undertake a £264,558 road construction scheme. A 960 metres-long carriageway with associated drainage and ancillary works is called for.

Worcester supermarket to cost £1m.

WORCESTER is to have a new J. Sainsbury supermarket.

It will cost £1.1m. and will be built by Espley-Tyas. The store will have a gross floor area of 4,300 square metres with parking for 400 cars, a petrol station and other facilities.

Architects are Pick, Everard, Keay and Gimson and quantity surveyors are Henry Riley and Son.

Work rolls in for Wimpey

A CONTRACT for the construction of stores, workshops, offices and ancillary buildings at Muscat, in the Sultanate of Oman has been awarded to George Wimpey by the Inspector General of the Royal Oman Police.

Work has started and is for completion this spring. The contract, including drainage and external works, is worth about £1.6m.

Wimpey is already involved in the construction of the Royal Oman Police headquarters; a £3.25m. contract.

In the U.K. Wimpey has won housing jobs at Stockport, Liverpool and in London.

In Stockport 191 dwellings at School Street are to be built at a cost of £1.7m. and 183 flats and houses are to be constructed at a similar cost in Harrowby Street, Liverpool.

The third U.K. contract is for the London Borough of Southwark and, worth £600,000, is for refurbishing old properties in the Kennington area.

Deep water jetty piles

BYARD Kenwest Engineering of Livingston (West Lothian) a Costain subsidiary, is supplying tubular piling worth £2.8m. for the deep water jetty at the British Steel Corporation's Hunterston ore and coal terminal on the Firth of Clyde.

The order, placed by the Clyde Port Authority, which is constructing the jetty for BSC, is for 12,640 tonnes, representing 25,770m. of 50 inch outside diameter by ¾ inch thick piles delivered in 25 metre lengths.

Will cope with oily water

MAIN contractors for the huge Dubai dry dock now being built—Costain Civil Engineering—Taylor Woodrow Joint Venture—have placed an order for an oily water separation plant to help reduce pollution of the dock and the surrounding seas.

Fram Europe of Llantrisant, Mid-Glamorgan will build the installations which will cost around £160,000 and will be located at the dockside.

All ballast water, bilge water and dock water will be processed at rates up to 450 cubic metres an hour, reducing the level of oil contamination to 5 parts per million.

The installation is for delivery early in 1977 and it will be under the control of two fluid analysers which automatically measure the levels of pollution in the water.

The dry dock contract itself is likely to exceed £130m. by completion, but the oil separation section though far less costly, is still considered a vital component of the whole complex.

Avoid price cutting plea

A WARNING to avoid price cutting, despite the current economic crisis, is given to members of the National Federation of Plastering Contractors in its annual review.

The temptation to indulge in a spate of price cutting in times of recession is no solution and must be resisted—it could have disastrous consequences, both long and short-term, says the Federation.

Another effect of recession is greater insistence by main contractors on the observance of terms and conditions of contract affecting the plastering specialists they employ. If cash flow is to be maintained, the review advises, it is essential for plastering firms to ensure that they fully observe contract procedures, and fully appreciate their contractual rights and remedies in case of dispute.

Bank block on Teesside

BARCLAYS is going into the property business in Middlesborough with a major seven-storey office block.

The contract is worth £844,000 and has been awarded to Task Construction. This north-east subsidiary of Rush and Tompkins will put up the reinforced concrete framed block on a site in Albert Mews. On the ground floor there will be a banking hall and general bank offices. Upper floor office space is to be let off.

Architects are Houston, Beaumont and Partners.

Standard maintenance agreement

REFRIGERATION and Unit Air Conditioning Group (RUAG) and the British Refrigeration and Air Conditioning Association (BRACA) have produced two agreements which give clear guidance to the contractor who maintains refrigeration or unit air conditioning equipment.

Both documents, supplying standard conditions of trading in the two major areas in the air conditioning industry, will appear shortly. They are the result of 13 months' work by a RUAG sub-committee on Maintenance Agreements, convened by the Heating and Ventilating Contractors' Association.

Before the new agreements can be published they must be registered with the Office of Fair Trading. The first, an inspection agreement for commercial air conditioning and refrigeration equipment or industrial refrigeration equipment has been finalised and will be registered shortly.

The second, a maintenance agreement for commercial refrigeration equipment, is close to completion.

Further details from Heating and Ventilating Contractors' Association, Coastal Chambers, 172 Buckingham Palace Road, London SW1W 9TD (01-730 8245).

Floors stop heat loss

POSSIBILITIES of exploiting the properties of expanded polystyrene on flooring laid for dwellings above a concrete raft have been explored by Chipboard Production Association and the Expanded Polystyrene Product Manufacturers Association.

IGF, for insulated ground floors, combines Chipboard flooring panels with expanded polystyrene underlay. It can save between £40 and £80 per house in construction costs and yet provide a floor with excellent thermal characteristics, comfortable and resilient to walk on.

Materials required are readily available and their application does not demand specialised labour. U.K. Building Regulations are met.

National Building Agency has compared the cost of flooring with this system against 3mm. thermoplastic tiles or 2 mm. vinyl tiles.

Laid on a standard and cement screed and finished with a coat of polyurethane after which which it resembles cork flooring, the chipboard worked out at £226 for an area of 6,600 mm. square. Without the polyurethane, the cost is £187 as against £268 for vinyl and £315 for thermoplastics.

Carpets and other fittings can be laid direct on IGF floor without the need for special fixings. Heat flow through the IGF media is minimal.

Further details from EPPMA at Hassocks 5568.

Pump goes anywhere

MOST concrete pumps are mounted on road vehicles which are forced to remain on a relatively dry, even surface often some distance from the building which is under construction. A new pump is mounted on a rough terrain dumper so that it may always be positioned close to the building. Minimising the horizontal distance in this way greatly increases the vertical height to which the concrete may be pumped for a given engine power.

The pump is capable of delivering up to 20 cubic metres of concrete per hour to a maximum height of 25 metres or a maximum horizontal distance of 85 metres depending on the grade. Maximum aggregate size is 50 mm crushed, 60 mm round and the piston-type pump is designed to handle very stiff mixes if required.

Loading hopper capacity is 250 metres and water tank capacity is 350 metres. Pipes from 100 mm - 180 mm diameter are available for different applications, and are supported by a two-section boom of maximum he[ight] 10.5 metres. A high pres[sure] water pump is provided for fi[lush]ing the pipes after use.

The drive for the dumper [and] the power for the pump are [pro]vided by a 28 hp diesel eng[ine]. Two chromium-plated, gro[und] cylinders operating at 24 cy[cles] per minute maximum gives efficient pumping action, an[d a] patented hydraulic system [is] incorporated for pi[ston] synchronisation. Four sc[rew] type outriggers are fitted to [the] dumper to provide stab[ility] during pumping.

A panel-mounted console, [con]sisting exclusively of hydra[ulic] controls, without any switchg[ear] is provided for easy opera[tion] even by unskilled personnel.

Euro 25 is the name of [the] unit, offered in Britain [by] Utranazz, 11 Market Pl[ace], Chalfont St. Peters, Bu[cks]. Gerrards Cross 85744.

Reinforced plastics water pipes

WHITTAKER Ellis is to use [re]inforced plastic matrix inst[ead] of traditional pipe mains mate[rial] for a pipe laying cont[ract] awarded by the Newcastle Gateshead Water Co. [The] material has not generally b[een] used for water mains operat[ing] under pressure.

The £87,000 contract ent[ails] the laying of 1400 metres of 1[...] mm. pipe to provide a wa[ter] intake from the River Tyne [at] Ovingham to the sewage tr[eat]ment works at Horsley.

Middle East venture

SGB GROUP has announced [the] formation of a second joint v[en]ture in the Middle East with [the] opening of a depot at Damm[am] in East Saudi Arabia.

The new venture, SGB Dal[...] follows the opening of SG[B's] first Middle East depot at A[bu] Dhabi in the United Ar[ab] Emirates.

Mr. Pat Ashcroft has be[en] appointed manager of the Da[m]mam depot. SGB is also secon[d]ing a scaffolding training m[an]ager and two experienced sc[af]folders from the U.K. to [the] Saudi operation.

The East Saudi Arabia ventu[re] is an equal partnership wi[th] local interests and marks a si[g]nificant development in SGB investment in the Middle Ea[st].

Helps find the facts

A GUIDE to regular publicati[ons] covering the U.K. construct[ion] industry has been published [by] Decision Models. Entitled "C[on]struction Industry in the Un[ited] Kingdom and Eire" it gives [de]tails of some three hund[red] journals, reports and director[ies].

It could be a useful star[ting] point for librarians, informa[tion] officers and others who have [to] provide managements with b[usi]ness information.

Available from the comp[any] at 117, Charterhouse Str[eet], London EC1M 6AA, at £6.00.

Consulting engineer retires

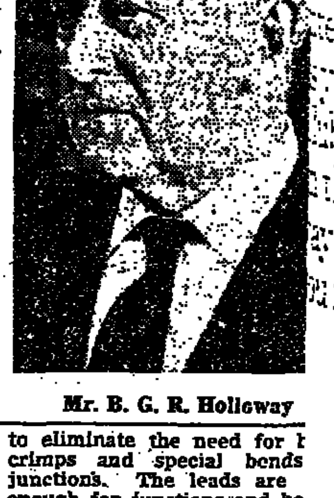
MR. B. G. R. HOLLOWAY has retired from the partnership of Rendel Palmer and Tritton and become a consultant to the firm. Mr. Holloway joined the firm in 1926 and was responsible for the design and supervision of construction of a number of major bridges in Africa, Burma, India and Iraq.

In the U.K. he was responsible for the design of over 100 under and overline bridges mainly of welded steel construction for British Railways, and for the reconstruction of the suspension bridges over the Thames at Marlow, and also Hammersmith which is now proceeding. He was also responsible for the design of steel framed structures for five major power stations in England and Wales and the design of very large dock and barrier gates including the massive 61 metres span, 13 metres radius, rising sector gates now being fabricated for the Thames Barrier.

Mr. Holloway has also been responsible for the design and supervision of construction of airfield, railway and road projects.

Mr. D. W. Hookway who joined Rendel Palmer and Tritton in 1963 and has been engaged on port projects in Australia, India and the U.K. and for the past five years on port and transportation studies and projects in Brazil, has become an associate.

He is a director of R. P. L. Engenharia e Consultoria recently formed by Rendel Palmer and Tritton in association with the Brazilian consultants PLANAVE—Escritorio Tecnico de Planejamento S.A.



Mr. B. G. R. Holloway

Pre-wired lighting trunking

SAID TO offer substantial savings in installation and on-site labour costs, a flexible design of pre-wired lighting trunking has been launched by Fluorescent Applications (a member of the TI Group), 680, Garratt Lane, London SW17 0NP (01-947 2869).

Almost any type of lighting fitting can be used on the trunking, says the company. There are three sizes, in standard five-metre lengths—40 x 40mm in 16 swg galvanised or grey stove-enamelled steel; 50 x 50mm in 18 swg galvanised, white stove-enamelled or Stelvetite finished steel; and 90 x 90mm in 18 swg galvanised or white stove-enamelled steel.

Normal suspension distances, depending on loading, are between three and four metres. The trunking is installed in the conventional way, but the lighting fittings are wired on the ground, then clipped to the trunking by a special "Z" bracket.

Trunking lengths are electrically connected by inserting prebared fly leads into a terminal block on the next length. By using a terminal block and free lying cable, the system is stated to eliminate the need for b[...] crimps and special bends [or] junctions. The leads are [long] enough for junctions and be[nds].

A twin-circuit, single-ph[ase] four-cable system is used, r[ated] at a nominal 18 A per cir[cuit]. Four sockets, a four-way term[inal] block, and four plugs each [with] a metre of wire (adequate [for] most lighting installations) [are] provided with each five-m[etre] length.

IN BRIEF

● A three-year contract for the supply of Codecor masonry paint has been awarded by the Central Electricity Generating Board to Corrosion Technical Services, a member of the Mowlem Group.

● A £102,000 contract has been awarded to Frederick Coyle and Co. to build the South Ruislip day nursery at Station Road, South Ruislip, Middlesex, for the London Borough of Hillingdon.

● John Willmott Construction is to undertake alterations costing £130,000 to The Hall, Welwyn Garden City for Haslemere Estates.

● Willet is reconstructing the major part of the fire-damaged Worsley Hostel in Clifton Gardens, London W9 under a contract awarded by Grand Metropolitan Hotels worth about £540,000.

[illegible]

The right car.

Right now.

If ever the time was right for Mini,® it's right now.

When has petrol economy mattered more?

Autocar's latest Economy Comparison† delivered m.p.g. figures of 51.5 for the Mini 850 and 45.8 for the Mini 1000. And all Minis, except the GT, thrive on 2-star.

When have we needed more comforting?

The Mini has just been fitted with new seats and interior trim which, as you can see in the Clubman, pictured on the right, is a long way from the 'basics' you find in some cars.

When has real after-sales back-up been so important?

Every new Mini comes with Supercover which gives you:

1. Free 24 hour on-the-spot roadside assistance.
2. Free get-you-there Relay recovery service*.
3. No limit to mileage for first-year warranty.
4. Free 69-point check-out service, before delivery.

When has a little more fun meant so much?

The Mini really is a car that's fun to drive. Lively, responsive and considerate. And with a new 1098cc engine in the Clubman, the Mini's performance is as exciting as ever.

When has value for money been so essential?

All Minis, except the GT, fall in the cheapest insurance categories. The running costs are comparatively painless and, as you can see from this extract from the Daily Express (15th Jan. 1976), a Mini can even be traded in at a profit!

The Mini that made £10 profit

an engineer, of Kent told me: "I bought a standard Mini 850—no extras—in late 1973 for just £710 plus £25 road tax and about £10 for number plates and delivery charges. It cost me £745 on the road. It was a second car and I only did about 11,000 miles in it.

"Two weeks ago I decided to sell it. A friend in the trade showed me Glass's Guide which quoted a retail price for that model and year of £835. I eventually sold it privately for £755—£10 more than I paid originally."

When is the right time to visit your Austin or Morris showroom and test drive a Mini? Right now!

Right now your Austin or Morris showroom has Minis. Right now you can buy at pre-increase prices.**

**While existing stocks last.

The right car. Right now. Mini

From Leyland Cars. With Supercover.

*U.K. Mainland only.

®'Mini' is a Registered Trade Mark.

†Convoy drive over 130 miles of mixed driving conditions not exceeding 50 m.p.h.

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PRINTING

High speed colour separation

COLOUR PRINTERS or trade shops which are separating 70 or more colour originals each week will be interested in the new Magnascan 550 from Crosfield Electronics (a De La Rue Group company), 766 Holloway Road, London N19 3JG (01-272 7766).

This machine is believed to be unique—it produces a full colour separation of three or four colours, positive or negative, continuous tone or screened, from a transparency or reflection copy original, in one pass in ten minutes, and usually much less.

There are two input drums. The large drum has a maximum input of 20 by 24 inches and the small drum takes 7½ by 6 inches (the small drum is provided for convenience in scanning small originals). The small drum can be used for the full enlargement range from ×0.2 to ×19.99 while the large drum is for large originals requiring enlargement up to ×9.00.

The large drum enables double A4 pages or a pair of double A4 pages to be scanned at the same time for same size scanning. Alternatively a number of originals can be mounted together and sets exposed on the same or separate films.

For applications where extra fast production of a number of sets is required the company recommends the use of two drums — one on the machine, being the scanned, while the other is loaded.

A Digital mini-computer is at the heart of the machine and is the major advance made over the previous model, the Magnascan 460. It logs all information on every original before exposure starts, controls all facilities (including colour correction and balance), but allows flexibility to make editorial changes (colour density, detail emphasis, etc.).

Much of the processing is automatic (the computer has a programming facility) and for routine work the machine could be operated by semi-skilled staff. If the correct operating sequence is not followed, the error is indicated by a series of "bleeps."

Operating costs are minimal—film is about £1 per set, and chemicals about 25p/hr. The machine costs in the region of £110,000, and it is understood that two orders have already been received from Japan, as well as firm enquiries from the U.S.

Crosfield expects to obtain world-wide orders worth at least £25m. over the next five years. Delivery of the first production models will be in July.

Crosfield also revealed that work has reached an advanced stage on the use of a laser to produce screening. Called the Laserdot, it is likely to be available as an option on the Magnascan 550 early next year.

● SHIPPING

Navigator orders go ahead

WITH THE Navy's new order of £½m. worth of Redifon Telecommunications Omega navigator receivers — bringing the Navy's total to over 100 — the company has built up an order book well over the 700 mark for this system which will give a ship a position to within one to two nautical miles of true.

Worldwide increase in demand for Omega coincides with the scheduled opening at the end of this month of three more transmitting stations in the Omega network — the only worldwide hyperbolic navigation system.

This will bring into operation seven of the eight stations which make up the complete system, giving coverage over more than 90 per cent. of the earth's surface compared with 50 per cent. eight months ago. The new stations are located in La Réunion (a small French island in the Indian Ocean), Argentina and Liberia.

The Redifon Omega navigator is the first to be designed specifically for marine use, with ease of operation a prime feature. It continuously tracks signals from all Omega transmitters to give three hyperbolic lines of position throughout the area of coverage to the above accuracy, irrespective of weather conditions or time of day.

Redifon Telecommunications, Bloomhill Road, Wandsworth, London, SW18 4JQ. (01-874 7281.)

● COMPUTERS

Honeywell mini not for Europe

OFFERED on the U.S. market only for first-time users and other manufacturers who need to incorporate mini-computers in their own equipment, Honeywell's Level 6 series of three minis is not for the European markets covered by Honeywell Bull and the other operating companies on this side of the Atlantic, at least for the time being.

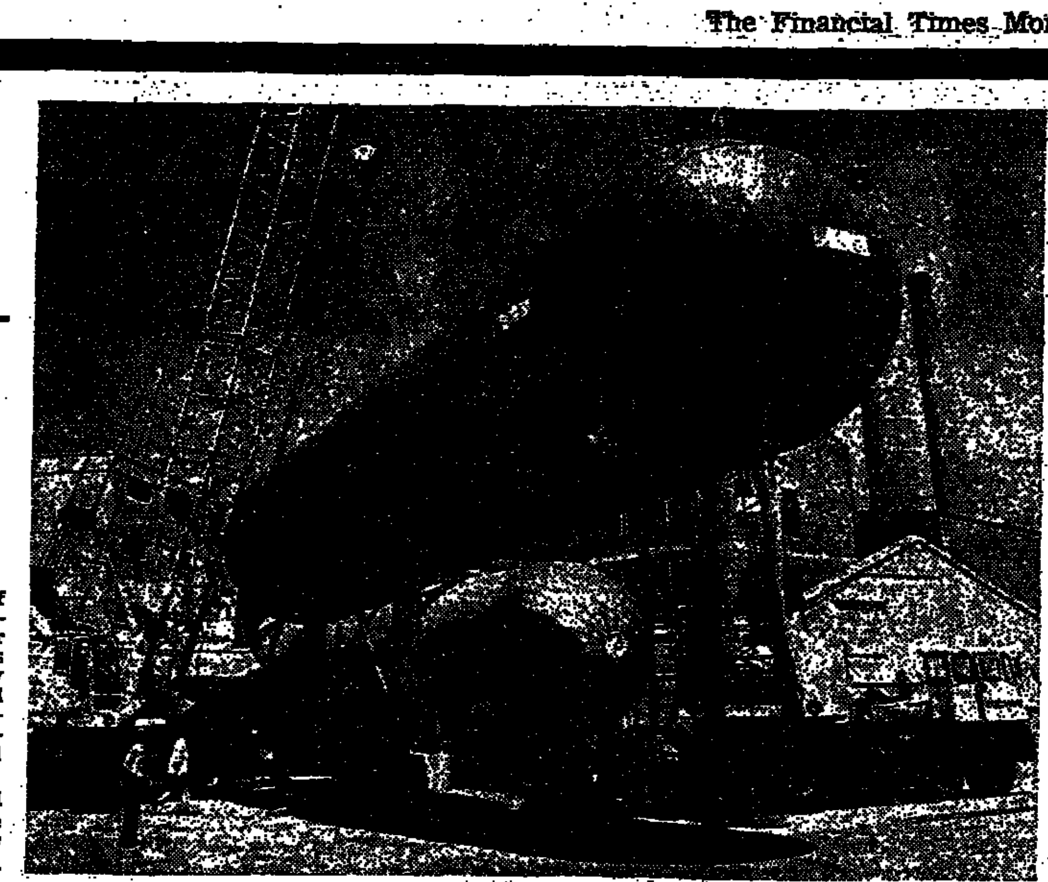
Honeywell U.K. is "evaluating" the equipment and reaction in London is that the mini marketed here will continue to be the 700 family, though it is significant that one of the three new machines is compatible with the 700's.

The new machines will be distinguished from the hundreds of other minis on the market by their remarkably compact memory and extremely tight component packing, which nevertheless does not impede speed of replacement of individual items.

Depending on how one defines a mini there could be considerable argument as to whether or not Honeywell is the first manufacturer of general purpose large machines to move into this market. In the strictest meaning of the term, the company is, drawing on several years' experience of manufacturing compact process control units.

Doubtless, Ferranti, pointing to Atlas, the extremely powerful naval tactical computers and its Argus series will claim that it is itself the first—but this is not the same thing.

Honeywell, Great West Road, Brentford, Middx. (01-568 9191).



An additional 200 tonnes capacity carbon dioxide storage tank has been installed at the Wandsworth Distillery of John Watney and Company, a subsidiary of Distillers Company. This increased storage capacity will raise the total holding to 500 tonnes at the production source and will be used by the Distillers Company (Carbon Dioxide), the leading U.K. distributor, to meet growing demand from customers in London and the Home Counties. The photograph shows the bare tank shell, weighing 80 tonnes empty, being craned into position. Its ultimate location is immediately above an existing vessel of identical size, which is also visible but in a completed form. It was built by Joseph Adamson of Hyde, Cheshire.

● BANKING

Dispensing cash with no errors

BRIEFLY described on this page just before Christmas, the Mini-teller from Chubb Integrated Systems forms one of a group of three banking terminals which can fairly be described as fourth generation machines, at least twice as fast in their cash dispensing role as anything now on the market.

The MD6000 range is based essentially on a CAI mini-computer with floppy disc. It has a mass of options, in line with the claims of the U.S. competition, but goes one better in that checking on operational status and identifying any fault prior to rectification is simplicity itself.

This is because staff operating the teller, wherever it may be—either inside a bank or through the wall or in remote premises such as stores, stations and airports—have their own small TV display which they can interrogate and put through a whole series of test routines so as to pinpoint the particular component which has failed and alert maintenance staff to bring the appropriate module.

These units can operate in stand-alone or on-line modes. Should the connection to the main machine be broken, the teller will automatically revert to local mode and no one except expert staff will be able to tell. This means that people in the bank's rogues gallery can never chance their luck in a remote branch with impunity.

All equipment is torch and drill-resistant (TDR) standard and it is as well to remember that Chubb knows a great deal more about security and the design of safes than any of its competitors in this area.

Note handlers are the tried and proven designs from De La Rue and the machines can be made bilingual without difficulty; trilingual with a relatively small amount of effort.

The Chubb specialists are aiming at providing a total service to the banking market and have spent a great deal of time and effort on what is probably the most important component of the essential ingredient of the "cashless society."

Magnetic stripe

This undoubtedly is the magnetic stripe on the cash, banking or ID cards and reading the stripe infallibly has caused a great number of headaches both to manufacturers of equipment and to makers of magnetic media. Now, Chubb has succeeded in reducing error rates to vanishingly small proportions, which means that clients using Chubb terminals will not be kicking them anything like so often in future. Meanwhile, it has been said that ⅔ of the magnetic credit cards on the U.S. market are just "trash."

Chubb has a remit to study automatic fare collection techniques for British Rail and is close to completion on this job.

Again, in its banking remit, it is studying better ways of capturing the MICR legends on cheques with a view ultimately to taking the crushing burden of physically clearing each cheque off the shoulders of the clearing banks.

TV type displays need a fair amount of power to run and are not all that robust so that experiments are in progress on a variety of other displays including fluorescent tubes and liquid crystals, as well as a polarised device from Plessey.

The group out at St. Albans is thinking of the next generation of cash dispenser which will be as versatile as any bank wishes it to be, much more compact, present fewer heat dissipation problems and be at least as secure as anything so far devised.

Chubb Integrated Systems, Porters Wood, St. Albans, Herts. St. Albans 67251.

● ELECTRONICS

Transmits alarm on demand

SELF-CONTAINED, a two-tone alarm signal generator can be added to existing transmitters which do not already provide such a facility, connection being a simple matter of inserting it into the microphone cable, via two DIN sockets on the rear of the unit, and providing a 24 volt supply.

In normal everyday use when the microphone is needed, the ASG 26 is inactive. When an alarm signal must be transmitted, pressing the "transmit" button on the unit automatically switches the microphone out of circuit, and injects the alarm signal into the transmitter, while also keying the transmitter.

The ASG 26 is type approved to the electrical specification MPT 1212 and the environmental specification MPT 1204, and is suitable for all types of transmitters. No internal modification to the transmitters is required.

Callbuoy Marine Electronics, 6, Somerset Road, Cwmbran, Gwent NP4 1OX. (063 33 66498.)

● MATERIALS

Fasteners give way to glue

AT LEAST one U.S. company, Continental Electronics, has abandoned the use of conventional fastening methods for fixing a variety of components to the card pull panels in its electronic telecommunications equipment.

Instead the company is using Eastman 910 adhesive, a one-component system that bonds effectively and quickly with only very thin application. Components fixed in this way include light-emitting diodes, fuse-holders, meters and grommets. Bonding is achieved without heat and with only fingertip pressure.

Conventional fasteners were found relatively time-consuming to instal and the use of adhesive has produced a marked increase in productivity. The adhesive, a cyanoacrylate, is fast-setting, easy to apply and free from unsightly build-up.

The adhesive bonds well to most non-porous substrates: for example, a diode made from epoxy has been fixed to ABS, as has a fuseholder made from phenolics. Nylon grommets have been fastened to steel. More from Eastman Chemical International, P.O. Box 66, Station Road, Hemel Hempstead, Herts. (0442 62441).

● LIGHTING

"Lights up" the murky corners

INTENDED for security and military personnel using infra-red night vision equipment so that they do not reveal their presence is a laser torch introduced by ITT.

Compact and battery-operated the torch intensifies the infra-red illumination which has already in effect been raised to twilight level by the image intensifier in the night vision equipment. In this way dark corners, doorways and similar places still in shadow can be totally illuminated.

The lens system can be adjusted to provide a spot diameter between 1.5 and 8.0 metres at 100 metres range. Rugged and weatherproof, the torch is 187 mm. long and 61 mm. in diameter. Rigid mounting to any equipment is easily achieved with two clips. Batteries are a commercial alkaline type, are readily available and can be easily changed. More from ITT Components Group Europe, Electron Device Division, Brixham Road, Paignton, Devon (0803 50762).

CONTRACTS AND TENDERS

SEWAGE BOARD OF NICOSIA

CYPRUS

The Sewage Board of Nicosia invites firm tenders for the supply of Asbestos Cement Sewer Pipes complete with appropriate joints and Asbestos Cement Fittings all to ISO R881 recommendation or to B.S. 3656 specification.

Total (aggregate) length of pipes: 12,581 lin. metres.

Nominal pipe diameters from 100 mm to 1,100 mm.

DELIVERY: All goods to be delivered C.I.F. to the warehouse of the Sewage Board in Nicosia via Larnaca/Limassol, Cyprus, within four months from the date of order by the Sewage Board of Nicosia.

The Sewage Board of Nicosia has received a loan from the International Bank for Reconstruction and Development towards the cost of the sanitary sewers and it is intended that proceeds of this loan will be applied to payments under the contract for which this invitation to bid is issued. Payment by the International Bank for Reconstruction and Development will be made only upon approval by the International Bank for Reconstruction and Development in accordance with the terms and conditions of the Loan Agreement and will be subject in all respects to the terms and conditions of that Agreement.

Only tenders from member countries of the International Bank for Reconstruction and Development (World Bank) and Switzerland will be considered.

Tender Documents and Specifications are available from the Sewage Board of Nicosia Offices and from all Embassies of the Republic of Cyprus abroad.

Completed tenders should be delivered to the Chairman, Sewage Board of Nicosia, 5 Constantinos Paleologos Avenue, 4th Floor, Nicosia, Cyprus, by 15.30 hours local time on February 26, 1976. Tenders will be opened publicly at the Office of the Sewage Board at 15.45 hours local time on the same date.

Lellos Demetriades
Chairman
Sewage Board of Nicosia

BID INVITATION FOR BUILDING AND SUPPLY OF A TUG BOAT FOR FLOATING FISHMEAL FACTORY

The Government of the People's Democratic Republic of Yemen wishes to invite contractors for the construction and supply of a tug of the following specifications to be built and supplied to the Port of Aden, P.D.R.Y.

LENGTH:	APPROX. 22.50M
BREADTH:	" 6.70M
DEPTH:	" 3.75M
TONNAGE:	" 99GRT
SPEED:	12—14 KNOTS
CLASSIFICATION:	+ 1A1 TUG
CREW:	5 MEN

DECK MACHINERY:
Low pressure hydraulic, 1 towing winch 12.5 tons 0-7 m/min, 1 towing hook 20 tons, 1 windlass, 4 bollards, guards, rigging, bar, etc., according to rules

ELECTRICITY:
230V AC 50 HZ

STEERING ENGINE:
Electro hydraulic with fixed and portable steering stands

ELECTRONICS:
Radio telephone, VHF 16 crystals, emergency receiver, life boat sender, echo sounder, radar, intercom—bridge to fore and aft

MAIN ENGINE:
Approx. 2,500 to 2,700 hp. Brown and Bovery turbo charger, freshwater cooling, Liaaen variable pitch propeller 300 rpm

AUXILIARIES:
2 diesels each of approx. 34 hp 1,500 rpm.
2 generators each of approx. 28 KVA AC 220V 50 HZ
Centrifugal pump 15M3/H 4 KP/CM2
Compressor 15M3/H 30 KP/CM2 (low pressure hydraulic)

DELIVERY:
Maximum 10 months—shorter period is desirable

Contractors are allowed one month to prepare and submit their bids in duplicate duly sealed bearing on the outside the bidder's name and address from the date of issue of this notice, i.e., 26.1/76. The closing date for submission is Saturday, February 29, 1976. All submissions must be in the English language.

All inquiries concerning this notice will be directed to the Director General, Public Corporation for Fish Wealth, Steamer Point, Aden. Cable address: Fisheries Aden. Telex address: 214 Fisheries AD.

The Director General will notify all contractors of the results of their tender within 30 days from the closing date of the submission. No reason will be given to unsuccessful contractors.

The successful contractors will be required to enter into a formal agreement in terms to be agreed between the Public Corporation for Fish Wealth and the Contractor. Offers will also be considered for newly built or good second-hand tug boats according to above specifications.

REPUBLIC OF GHANA

VOLTA RIVER AUTHORITY

KPONG HYDROELECTRIC PROJECT

CIVIL WORKS CONTRACT

PREQUALIFICATION OF TENDERERS

The Volta River Authority invites applications from suitably qualified and experienced contractors wishing to be prequalified as tenderers for the civil engineering works for the Kpong Hydroelectric project on the Volta River in Ghana, comprising, principally a 75,000 cubic metres concrete centre-river spillway to accommodate fifteen radial gates, earth fill abutment dams of about 1,300,000 cubic metres and a conventional aboveground power station to accommodate four 40 MW generating units.

Applications for prequalification will be accepted from companies and joint ventures with registered offices in countries which are members of the International Bank for Reconstruction and Development, and in Switzerland.

Interested companies should first request a copy of the document entitled:

"Kpong Hydroelectric Project
Civil Works
Prequalification of tenderers
Instructions to applicants"

which may be obtained from:

(a) The Chief Executive
Kpong Hydroelectric Project
Volta River Authority
P.O. Box M77
Accra, Ghana

or from:

(b) Acres International Limited
Kpong Hydroelectric Project
5259 Dorchester Road
Niagara Falls
Ontario, Canada
Telex 021-5107
Cables Acrescan Niagra Falls

Formal applications for prequalification in quadruplicate should be submitted in the manner prescribed not later than February 26, 1976, as follows:

One (1) copy addressed as in (a) above

and

Three (3) copies addressed as in (b) above

It is expected that invitations to tender and tender documents will be issued to prequalified tenderers about April 15, 1976, and that tenders will be required to be submitted approximately 4 months thereafter.

THE CENTRAL BANK OF THE DOMINICAN REPUBLIC

Department of Tourism Infrastructure and Development — INFRATUR

PREQUALIFICATION NOTICE

It is hereby announced that the Central Bank of the Dominican Republic will receive applications for the prequalification of interested contractors, established in member countries of the International Bank for Reconstruction and Development (World Bank), and Switzerland, for the Construction of Water Supply Works at Rio San Juan, on the north coast of the Republic between Puerto Plata and Cabrera.

SJC2 Water Supply Works—Rio San Juan. The principal items include:

1. 800 linear metres of 200 mm. diameter asbestos cement rising main.
2. 2,500 linear metres of 250/200 mm. diameter asbestos cement gravity main.
3. 1,000 linear metres of 150 mm. diameter pipe in the distribution main.
4. Improvements to the existing pumping station.

Payments for goods and services provided in the Dominican Republic will be made in Dominican Pesos while goods and services provided elsewhere, outside the Dominican Republic, will be made in U.S. Dollars.

The prequalification questionnaire may be obtained from:
BANCO CENTRAL DE LA REPUBLICA DOMINICANA
Departamento INFRATUR
Santo Domingo, República Dominicana

or from:
SIR WILLIAM HALCROW & PARTNERS
Newcombe House, 45 Notting Hill Gate
London W11 3JX, England

Two (2) sets of the questionnaire should be completed and sent in sealed envelopes to:
BANCO CENTRAL DE LA REPUBLICA DOMINICANA
Attn. Departamento INFRATUR—Concurso Precalificación
Water Supply Works
Santo Domingo, República Dominicana

The closing date for the receipt of the questionnaires is 12.00 Noon on the 8th March 1976.
Santo Domingo, R.D.

THE CENTRAL BANK OF THE DOMINICAN REPUBLIC

Department of Tourism Infrastucture and Development — INFRATUR

PREQUALIFICATION NOTICE

It is hereby announced that the Central Bank of the Dominican Republic will receive applications for the prequalification of interested contractors, established in member countries of the International Bank for Reconstruction and Development (World Bank), and Switzerland, for the Construction of Infrastructure Works at Playa Dorada, on the north coast of the Republic between Puerto Plata and Cabrera.

The construction contracts comprise:

PDC 5 Playa Dorada Sewerage. The principal items include:

1. Laying of approximately 8.5 km of asbestos cement gravity trunk sewers and laterals and rising mains in diameter of 500, 450, 400, 300, 200, 150 and 100 mm and the construction of ancillary works.
2. The construction of four pumping stations.
3. Sewage Treatment works comprising inlet works, aeration ditch, settling tank and ancillary works.
4. 800 linear metres of 450 mm diameter asbestos cement outfall sewer.
5. 400 linear metres of 460 mm diameter sea outfall.

PDC 6 Playa Dorada Water Supply. The principal items include:

1. The construction of borehole chambers.
2. 500 linear metres of 300 mm diameter asbestos cement rising main.
3. The construction of two circular reinforced concrete reservoirs each 25 m diameter with a concrete dome roof.
4. 2000 linear metres of 400 mm diameter asbestos cement gravity main.
5. Distribution mains and ancillary works.

Payments for goods and services provided in the Dominican Republic will be made in Dominican Pesos while goods and services provided elsewhere, outside the Dominican Republic, will be made in U.S. Dollars.

The prequalification questionnaire may be obtained from:
BANCO CENTRAL DE LA REPUBLICA DOMINICANA
Departmento INFRATUR
Santo Domingo, República Dominicana

or from:
SIR WILLIAM HALCROW & PARTNERS,
Newcombe House
45 Notting Hill Gate
London W11 3JX, England.

Two (2) sets of the questionnaire should be completed and sent in sealed envelopes to:
BANCO CENTRAL DE LA REPUBLICA DOMINICANA
Attn: Departmento INFRATUR—Concurso Precalificación
Abastecimiento de Agua y Alcantarillado Sanitario
Santo Domingo, República Dominicana.

The closing date for the receipt of the questionnaires is 12.00 noon on the 8th March 1976.
Santo Domingo, R.D.

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE MINISTERE DU COMMERCE

SOCIETE NATIONALE DE COMMERCIALISATION DES TEXTILES ET DES CUIRS "S.N. COTEC"

International Invitation to Tender

An international invitation to tender has been launched for the supply of:

Velvet for clothing
Thermo-adhesive buckram
Lining and mignonette lace
Mixed linen and cotton cloth
Damask ticking
Tubular reinforced lining for belt supports
Nylon cloth for umbrella manufacture
Band lace for trimming ladies' underwear
Waterproof material
Hard ends and stiffening
Velvet for furnishing
Rough leather cloth
Coloured leather cloth
Cloth for ties and scarves
Tarpaulin
Plush for trimming slippers
Latex cloth
Reinforced lining for ties
Furnishing shag
Reinforced lining for shirt collars
Net curtain material
Handkerchief material
Household linen
Clothing material
Felt for slippers
Polypropylene cloth
Material for car upholstery
Woolen cheese-cloth
Latest style material
Sewing thread

Companies interested may obtain the necessary documents from the Direction Générale, S.N. COTEC, 3 boulevard Anatole France, Algiers, against payment of 100 Dinars.

Suppliers already trading with S.N. COTEC will receive the necessary documents against a postal order payment for the Tenders, together with usual supporting documents, should be exchange value of 100 Dinars.

sent in double sealed envelopes clearly marked "Ne pas ouvrir —soumission Appel d'Offres No. 01/76." "Not to be opened— Tender No. 01/76," to the address given above before the forty-fifth (45th) day, inclusive of the first appearance of this invitation to tender.

Any tender which does not comply with the above regulations will not be considered.

LABOUR NEWS

NCB facing decision day on Derbyshire colliery

Y OUR LABOUR STAFF

National Coal Board to-day to decide whether to give mineworkers demands for further exploration and opment of a Derbyshire colliery or risk a national overtime which could badly affect in-ial relations in the coal stry.

e National Union of Mineers insists it wants a decision by the Coal Board on Tuesday when the two sides meet egular economic discussions. e Board meets to-day to der the miners' refusal to ot closure of the Langwith ery in North Derbyshire and demand that a new seam ld be explored further to antee the colliery's con-ed existence.

e NUM has already decided ill a national overtime ban ie Board should reject its ands and on Wednesday the n's executive will discuss her and how to implement decision in the light of the 's reply.

The Coal Board argues that the new seam would be uneconomical and dangerous to work. To open it as if it were to be worked, as the NUM is demanding, would cost £1m. and would only confirm the available evidence about its unsuitability. The NCB wants to phase out Langwith over the next two years and redeploy the 900 miners to other nearby pits.

A national overtime ban by the miners would have no immediate effects on production, as virtually no coal is being mined in overtime at the moment. But maintenance work would suffer and that in turn would gradually affect the output of coal.

Moreover coal stocks—at 31m. tons—are unusually high for this time of year.

The situation is considered dangerous largely because matters of principle are at stakqe. Partly because stocks are so high, the NUM is worried that Langwith may herald the start of another closure programme just after the oil-crisis has boosted the status of coal and their members.

For the NCB, on the other hand, what appears to be at stake is the right to manage the industry and make its own investment decisions. Against this it has to weigh the disadvantage of a deterioration in industrial relations which have improved considerably since the miners brought down the Conservative government two years ago.

Car delivery dispute ends but another is threatened

Y OUR LABOUR STAFF

DELIVERY drivers in ntry, whose strike atened to lead to widespread ffs in local car factories last , have agreed to resume to-day. But another dispute l lead to an even more wide-ad stoppage later in the .

e 100 drivers who went on e for two weeks in support our of their colleagues, dis-ed for refusing to cross a et line, agreed yesterday to me work to-day after the four were promised reinstatement.

The new dispute is developing over 19 women drivers employed by a Coventry company to handle cars for Chrysler. The women claim to have heard that they are going to be made redundant early next month without any negotiations with the company.

On Thursday, some 500 drivers handling cars for Chrysler, Triumph and Jaguar are to decide whether to come out on strike in support of the women.

Peace gesture call for Ulster trades unions

Y OUR BELFAST CORRESPONDENT

RKERS throughout Northern nd are being asked to stand two minutes' silence at 11 to-morrow as a peace cam-n organised by the trades ns gets under way.

nion leaders who have strug- for six years to keep arian bitterness on the shop-r to a minimum have ched the campaign in the of the continuing violence ich has left 35 people dead e the beginning of January. ombs badly damaged part of Belfast hotel as well as an nd Revenue office and other ld'ngs in Enniskillen, County managh on Saturday. A bus er was shot dead in Armagh what appeared to be an acci-tal shooting involving liers.

he peace campaign has coin-ed with warnings from Mr. rlyn Rees, the Northern Ireland Secretary, and Mr. Stanley Orme, his Minister of State, that the province desperately needs the return of a devolved Government to help tackle the economic decline.

The Government's warning, however, has been strongly attacked as "blackmail" by leaders of the majority Unionist coalition who are holding a series of rallies to reaffirm their opposition to power-sharing in any future Cabinet.

Mr. Enoch Powell, the Unionist MP for South Down, claimed in a speech in his constituency that the Government was planning to ignore the Unionist proposals in the report of the Northern Ireland Convention and to bring back a power-sharing government under the 1973 Constitution Act which set up the ill-fated Northern Ireland Executive.

Agency shop pact for Trustee Bank

By David Churchill, Labour Staff

AN AGENCY SHOP agreement covering 13,000 Trustee Savings Bank staff is expected to be signed soon following negotiations between the National Union of Bank Employees and the bank's Employers' Council.

The outline agreement so vers branch, managerial and clerical staff.

The agency agreement negotiated by NUBE means that Trustee Savings Bank staff who do not want to join the union can pay a sum equivalent to the standard contributions to the union to an approved charity. The agreement will be written into all employees' contracts of employment, the union said.

NUBE is negotiating a similar agency agreement with members of the Co-operative Bank, though the union already has 99 per cent. membership there.

BUS CREWS HOLD MASS MEETING

Buses operating out of the Litherland North Merseyside Depot were withdrawn for an hour yesterday while the crews held a mass meeting to discuss proposed economies to meet part of a huge financial deficit.

Mr. Average 'should pay no income tax'

By Our Labour Staff

THE THRESHOLD below which people do not pay income tax should be raised gradually to the level of average national earnings, according to a study published by the Low Pay Unit yesterday.

The study, written by Conservative MP Mr. Ralph Howell, says that because of the present low tax threshold even more people are worse off, working full-time than if they were unemployed or working only part of the week.

Welsh steel output back to normal by end of this week

BY LORELIES OLSLAGER, LABOUR STAFF

STEEL AND tinplate production in South Wales should be back to normal by the end of this week after workers at four plants there decided to return to work following the agreement last Friday between the British Steel Corporation and national union leaders on labour economies.

Work resumed partially yesterday at the three main plants hit by strikes against BSC's attempt to unilaterally terminate premium weekend working as part of its economy drive.

The giant Port Talbot works, where about 1,000 workers have been on strike for almost three weeks, stopping all production, should be back to normal by the end of the week, BSC said. Some 8,000 other workers had been laid off because of the dispute.

Output at the two tinplate works of Trostre and Velindre, where about 5,000 workers have been on strike, should be back to normal even earlier.

Workers at the fourth factory, an engineering works at Machynys, will resume to-day.

Work was resumed after BSC agreed as part of its pact with the unions to allow a return to week-end working for the next two weeks while unions and management at local level would try to come to a negotiated arrangement on this sensitive issue.

The outcome of these talks will be the first test of whether the new agreement between BSC and the unions—the third on labour economies to be concluded within nine months—will bring about the desired results.

Several other Welsh plants will also be affected by the attempt to reduce week-end working, but no major stoppages were staged there as the workers decided to await the outcome.

In most other parts of the country, week-end working has already been substantially reduced or eliminated in recent months and the main issue there will be the "substantial" reductions in manning levels which BSC wants to negotiate.

BSC and the unions have agreed that maximum advantage should be taken of natural wastage to achieve this aim. This means that workers leaving the Corporation will, if at all possible, not be replaced and the unions have agreed to discuss the flexibility and mobility arrangements necessary for this, even though the counter-inflation policy virtually rules out pay rises for increased productivity.

But BSC has agreed to make another approach to the Government to obtain a change in its interpretation of the policy

PPOINTMENTS

Sir Eric Drake joins Board of Hudson's Bay

Sir Eric Drake, former chairman British Petroleum, has been cted a director of the HUDSON'S BAY COMPANY.

★

Mr. K. T. C. Gutteridge has been pointed managing director and ief executive of JENSEN CONTACT CARPETS. Mr. K. W. nsen remains chairman.

★

Mr. Thomas Anderson has been pointed financial director of ALTER LAWRENCE AND SON, e main contracting company thin the Walter Lawrence oup.

★

Mr. B. J. Beardmore has been pointed overseas director of ROWN HOUSE ENGINEERING.

★

Mr. G. W. Booth has become nance director of ENERGY SERVICES AND ELECTRONICS. He as previously with Roche Proucts.

★

Mr. Frank E. DuBose has been ppointed general manager of the ondon branch of NORTH CAROLINA NATIONAL BANK. He succeeds Mr. J. G. Richards Roddey, who becomes area executive for urope, the Middle East and frica.

★

Mr. Gordon Hasler has been ppointed a director of EXECUTIVE SEARCH.

★

Following the offer by Central and Sheerwood for shares of the TRIANCO GROUP not already held by C and S, Dr. Francis A. Singer, Sir Neil Shields, Mr. N. A. H. Stacey and Mr. P. C. H. Vey have joined the Board of Trianco. Mr. A. S. Boyle has resigned as chairman and a director, and Mr. H. Prevezer, Mr. T. B. H. Otway and Mr. J. F. Parratt have also resigned as directors. Dr. Singer has been appointed chairman.

★

Mr. Alan Curtis and Mr. Denis Flather have joined the Board of ASTON MARTIN LAGONDA.

★

Mr. John Morrison, sales director of JEYES U.K., is now sales and marketing director.

★

Mr. Ronald Grant, personnel manager of SCANDURA, has been appointed to the Board. The company is a member of the BBA group.

★

IDC GROUP has appointed Mr. P. T. Pearce a director of IDC LTD., its main subsidiary. Mr. Pearce will continue as managing director of IDC Project Management Consultants.

★

Mr. Robin Maclellan has been appointed a non-executive director of SCOTTISH INDUSTRIAL AND TRADE EXHIBITIONS, part of the Andry Montgomery Exhibition Group. Mr. Maclellan is currently chairman of the Scottish Tourist Board, a director of the Nationwide Building Society and of Maclellan Holdings.

★

Mr. W. S. Lee has been appointed manufacturing director of the RAVENHEAD COMPANY. Mr. Lee was previously with the Corning Company in Paris and prior to that was technical director of James A. Jobling and Co.

★

Mr. John Gooderham has been promoted to chief executive of DYNO-ROD, part of the Zockoll Group. He was previously group franchising director.

★

Mr. Frank Seely has been appointed managing director of BALZERS HIGH VACUUM. Mr. Seely joined the company last year as general manager.

★

CAMERON-PRICE has appointed executives to the Board. Mr. Geoffrey Finch, who came from Doulton Industries (a subsidiary of Royal Doulton) 12 months ago becomes financial director; and Mr. Anthony J. Banks, who started work with Cameron-Price as an apprentice some 12 years ago, has been made works director.

★

Mr. T. F. Burden has been appointed works director of the BUTLER MACHINE TOOL CO. He was previously works manager.

★

Mr. T. J. Watling has been appointed sales director of MAYWICK (HANNINGFIELD).

★

Mr. G. M. Warren, sales director of Aveling-Barford and chairman of Goodwin Barsby Company, has been re-elected president of the FEDERATION OF MANUFACTURERS OF CONSTRUCTION EQUIPMENT AND CRANES.

★

Mr. R. A. H. Thomas has resigned as chairman of Sperryn and Co., but remains a director. The new chairman is Mr. W. T. Colman and Mr. B. M. Cowley becomes managing director. Mr. S. I. Macphie and Mr. B. Weaver have been appointed directors of Lemet Metal Works. The companies are members of the components division of DELTA METAL.

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MONDAY, JANUARY 26, 1976

Framework for steel

THE AGREEMENT reached at the end of last week between the British Steel Corporation and the principal steel unions contains a number of concessions by the management, but at least it represents an acknowledgement by the unions of the financial crisis facing the industry and of the urgent need to tackle both "recession over-manning" and "inbuilt over-manning." In the first case the reductions in manpower are to be achieved over the next three months, in the second over not more than two years. The agreement provides the necessary framework in which local negotiations can now take place on shift working, on the restructuring of jobs and any consequent demarcation problems and—above all—on redundancy. Voluntary redundancy terms will be offered, but the Corporation has insisted that if manpower has not been reduced within 12 weeks of the date when jobs are declared redundant, "other redundancy measures" will have to be applied.

Local level

The next few weeks will show whether the national union leaders can persuade their members at local level to co-operate in carrying out the agreement. The national officials have promised to "publicise to their members the seriousness of BSC's position and the need to reach voluntary agreements at works level," but communications on the union side are far from perfect: the recent outbreak of strikes in South Wales could be a portent of what is to come as the first steps in implementing the agreement are taken. Again, the union officials have promised "to take appropriate steps to minimise the number of unofficial strikes," this will be another test of the leaders' ability to control their rank and file.

The basic question is whether those who work in the BSC can be persuaded to accept that a profitable industry, offering secure employment to a very much smaller labour force, is better than the over-manned, ill-equipped and steadily declining industry that exists to-day. It may be that in the end the necessary changes can only be carried out after a full-scale confrontation, but the short-term costs of such a course would be high and it is clearly right to attempt a solution based on participation, however difficult and time-consuming it may be.

The problem is that the BSC's immediate financial position is too serious to permit the lengthy process of consultation and education on which ICI, for example, embarked when it started tackling its over-manning problems in the mid-sixties. Furthermore, it may have been easier to convince ICI's employees of the competitive threat from other chemical companies than is possible with the BSC, a Government-owned corporation with an apparently secure monopoly in the home market. The gradual encroachment of foreign steel, though dramatic in terms of the balance of payments, has not yet had so obvious an impact on jobs, as say, imports of passenger cars.

Productivity

A great deal of persuasion will have to be done by both unions and management; last year's joint mission to examine productivity in the Japanese steel industry was a useful step in this direction and the process of education should be extended. Management will have to show rather more finesse, both at the centre and in the plants, than has been evident in the past; this applies especially to the two South Wales strip mills, Port Talbot and Llanwern, which are the BSC's biggest loss-makers. But there can be no going back on the principles contained in last week's agreement. The BSC has made its concessions and the unions have given their undertakings; the future of the industry depends on whether they are carried out.

Deferring the SALT agreement

DR. KISSINGER'S visit to Moscow last week produced no concrete agreements, but did help to clarify some of the outstanding issues between the two super powers. The main specific outcome was that the Soviet attitude to Angola continues to be unsatisfactory from the U.S. point of view and that a second strategic arms limitation agreement (SALT 2) has been deferred pending further negotiations. The connection between these two conclusions may be indirect, but none the less it exists.

Elections

The decision to take more time over SALT is welcome for a number of reasons. For one thing, the SALT 1 agreement does not expire until well into 1977, so there is plenty of time in hand to go for a considered successor. For another, it should reduce the risk of a draft SALT 2 agreement becoming an issue in the U.S. election campaign. Above all, the delay should provide an opportunity for further debate, both in the U.S. itself and in the West in general, about whether a second agreement is really desirable and, if so, on what terms.

One of the basic assumptions behind SALT 1 was that it would lead to greater U.S.-Soviet understanding in other areas and indeed to some kind of joint crisis management. It is possible to argue, as Dr. Kissinger has himself argued, that the Russians have since shown restraint in a number of factual or potential conflicts—the Middle East is an example. But it is equally possible to say that the Soviet intervention in Angola, and the steady military build-up that has made it possible, have rendered the initial assumption invalid. If that is the case, then one of the main supporting arguments for strategic arms limitation agreements falls to the ground.

SALT 1 was intended to establish nuclear parity or a strategic balance of power. Yet it is striking how, without actually violating the agreement, the Russians have continued to increase the size and yield of their missiles to the point where, in these terms, they are surpassing the U.S. Again, it is possible to say that this simply reflects a different approach—the Russians go for greater yields and the Americans for greater accuracy. But coupled with the general Soviet military build-up it is a factor that has to be taken into account. The military balance has changed since SALT 1 was signed and changed in Moscow's favour. That, too, is an argument against going lightly into SALT 2.

Cruise missile

The one area where the U.S. continues indisputably to hold the lead is in technology. Given the size and increasing capability of Soviet conventional forces and the apparent unwillingness or inability of the West to match them, the preservation of this lead becomes imperative. Its particular relevance to the SALT 2 negotiations is in the field of cruise missiles. These differ from the systems normally considered under SALT in that they can be either strategic or tactical and can be armed with nuclear or conventional warheads; they are also relatively cheap to produce, highly accurate and easy to move and conceal. Their deployment in Western Europe could go a long way towards compensating for NATO's manpower deficiencies and reluctance to maintain defence budgets. In short, their potential development is probably the best single card in the American hand. Any limitations on even their strategic deployment ought to require considerable counter concessions: limitations on their conventional deployment should remain unthinkable until the Russians have shown by their behaviour that they are seriously interested in arms control.

Gilts and the money supply—a nasty case of oversteer

BY ANTHONY HARRIS

THE RATHER melodramatic events in the gilt-edged market in recent weeks have left a great deal of puzzlement behind them. The authorities, delighted with their success in funding a substantial slice of public debt in a short time—estimates range up to about £3bn. in a matter of seven weeks—are still far from sure where all the money came from. Some monetarist observers, noticing that part at least of the money was found by running down bank deposits, are beginning to accuse the Government of deepening the slump by excessive funding.

The market has been equally puzzled. In the memorable four days from January 6 to 9, gilt-edged prices rose 10 per cent.—an adjustment which would normally take weeks or months—and after a few days of indigestion and profit-taking, the cut in minimum lending rate on Friday, coupled with better news from the steel industry, provoked rises of up to £1.50 in a single day, making even previous rises look tame. Some investors, encouraged by the evidence of declining inflation, are even talking of a turning-point in the bear market in Government stock which has been the underlying trend for a generation. With both the tap stocks exhausted, the market is free for the time being to back that judgment if it wishes.

The essential key to the whole puzzle is fairly simple: it lies in the difference between the effects of any given *level* of interest rates and the effect of a *movement* in rates. Because this is a speculative market, the result is perverse. Events may suggest that rates are too high or too low, but the process of adjusting them to a new level will have initially the effect of making the trouble appear even worse than before the policy was changed.

Behaving perversely

What do we mean by too high or too low? A monetarist will answer very simply that if the money supply is growing excessively, rates are too low; if it is depressed, they are too high. But money is created by the pubic sector's borrowing; it is mopped up when that borrowing is financed by sales of reasonably long-dated securities, and the value of those securities rises when rates fall, and falls when they rise. The result is that when the authorities try to raise rates, there is a bear market in gilts; when they lower rates, as we have seen, there is a bull market.

The result, of course, is that the money supply tends to behave perversely—at any rate in the short run. If the authorities impose excessive rates and hold them at a high level, monetary growth is subdued: private firms and people economise on their cash balances and are reluctant to borrow. But when the authorities decide that it is time to lower rates, they create a bull market in Government stock which depresses the money supply even more dramatically as anyone with an idle penny rushes to lend it to the Government.

As can be seen from the chart, this broad generalisation needs qualifying, for there are two definitions of money in common use. M3, the broad definition, tells a very different story from the narrower M1 over much of the period covered. For example, what was the monetary history of 1975? M1 tells a story of rapid inflation, complicated by monetary restraint; monetary growth has generally been slower than the rate of inflation. The result was a deep trough towards the end on 1973, but since then money does not appear to have been so tight.

The real crunch

The broader M3 on the other hand shows a very different picture. On this definition, including time deposits and certificates of deposit, monetary growth was out of hand right through 1973, running well in excess of the going rates of inflation at the time, and only came under control during 1974; the real crunch appears at about the end of that year, and the recovery since then has still left growth more than 15 per cent. behind the rate of inflation—a ferocious monetary squeeze.

In any case, is the money supply on any definition a fair measure of credit conditions? After all, imports cost money, and their purchase is commonly financed by credits, but the money involved subsequently goes overseas and vanishes from the U.K. money supply. A measure which allows for this is domestic credit expansion, the DCE figure mentioned by the Chancellor in his letter of application to the International Monetary Fund.

The development of DCE is not shown on the chart, to avoid impossible complications, but the reader can readily make the necessary correction in his head, for it is not difficult to remember that 1974 saw a vast deficit in the balance of payments. Though the actual adjustment is far more complicated than a simple matter of adding the balance of payments deficit to the increase in the domestic money supply, the broad answer is the same: 1974 saw a vast expansion of domestic credit, much of which drained away abroad.

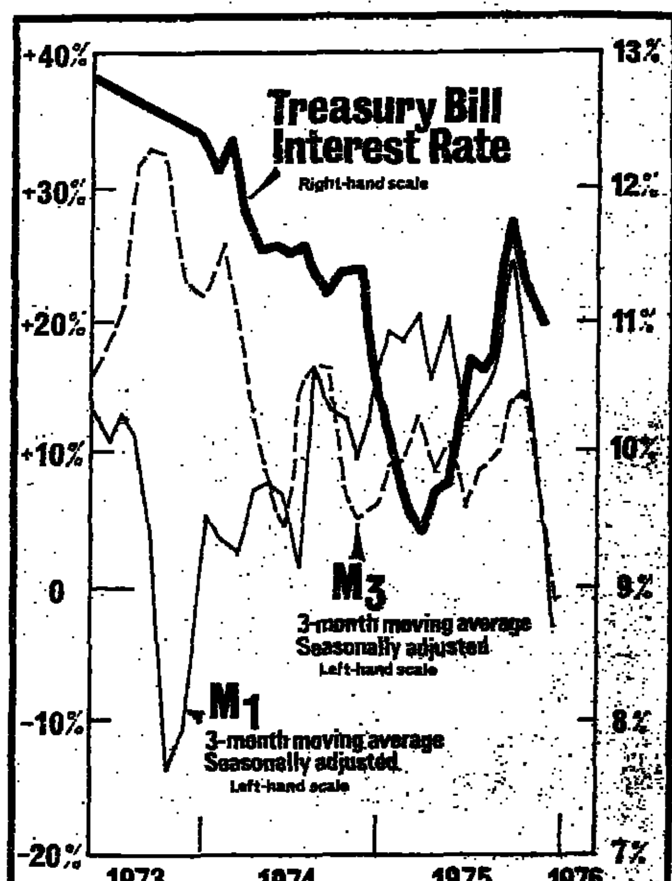
On this measure, credit conditions did not really begin to become tight until the beginning of 1975—nearly 18 months after the trough of M1 growth and nearly nine months after the first sharp dip in M3 expansion. In order to judge whether interest rates were at any time too high or too low, it is necessary first to pick one indicator and forget the other two, for they all tell different stories.

Rather more ambiguous

Which is the "right" indicator? It depends who is watching. In the U.S. the Federal Reserve Board appears to run its policy in response to the growth of M1; when this falls below a known target, as recently, rates are allowed to fall. The policy in this country is rather more ambiguous—the whole of British monetary policy is wrapped in a studied vagueness—but most people close to the market would agree that M1 is a much better indicator of money market conditions than M3, and much less distorted by oddities such as the "arbitraging" of 1973 or the recent commercial buying of Treasury bills to replace previous holdings of bank certificates of deposit, which allowed £800m. rather suddenly to vanish from the reported M3 money supply. M1 certainly influences the Bank of England.

British monetarists, on the other hand, tend to base their arguments on what has been happening to M3. There are sound reasons for this, even if it does lead to confusion; for if M1 measures the impact of monetary policy, M3 shows the state of the economy.

The reason for this is that people's requirement for cash is largely a matter of cash flows: high interest rates may make them economise, but broadly movements in the narrowly defined money supply will reflect very closely movements in money spending. (This is even more faithfully mirrored in the public's holdings of notes and coin. The fact that this always rises sharply in November inspired Professor Kaldor's famous joke, when he congratulated monetarists on having established the cause of Christmas.)



When people are worried

The demand for loans on the other hand, reflects confidence as well as activity. When people are worried about their future solvency, they try to cut down their bor owing. As fast as they succeed, the results tend to be shown in M3, for the banks are unwilling to bid for the time deposits and CDs which make the difference between M1 and M3 when they find it hard to lend the money profitably. The result is that holders of cash balances tend to invest them outside the banking system—in Treasury, local authority deposits or company paper, and M3 falls.

Those who believe that monetary expansion causes future events in the economy tend to complain that these changes in investment, clumsily known as "disintermediation" (when money is not lent through the banking system) and "re-intermediation" (when the banks bid the money back) are "distortions" which conceal the "real" state of affairs; and it is certainly true that Treasury bills and local authority deposits are readily enough turned back into cash.

The British authorities are concerned with the general level of liquidity in the economy, for so far as the private sector holds liquidity, its spending cannot be controlled by the Treasury. They do not therefore regard M3 as a good policy indicator. Some monetary purists find it an awkward one, for almost in the same breath they complain that the M3 figures are alarming and that they are distorted; but if the reading is distorted, it is hard to know whether to be alarmed.

'Animal spirits'

My own possibly heretical view is that M3 is quite a reliable indicator of what Keynes called "animal spirits" in the business community—a mixture of confidence and speculative fever, but a deplorably slow one, simply because it takes time to run down an over-geared position. Prolonged slow growth in M3 is indeed a sign that business is depressed, and suggests that a recovery is unlikely until interest rates come down. M1 says that money was not tight this year—as any banker can confirm. M3 says that business was depressed all the same; but we hardly needed a technical interpretation of the money supply to tell us that. DCE, which has been brought under some sort of control only this year, tells us that only this year did Britain begin to emerge from profligate dependence on foreign borrowing. Monetary indicators do have a way of stating the obvious.

You may well think that this long analysis leaves us as far as ever from answering the questions with which we began: what, if any, is the economic significance of the boom in gilts, and is it good or bad news for the economy? You would be right: because they all tell different stories, and because of speculative surges in the gilts market, the monetary indicators cannot answer these questions, especially not in the short run.

The only way in which the authorities can alter the level of interest rates without producing violent changes in the money supply is to do it so fast that they sell no gilts; it is almost impossible, in a market preoccupied with capital profits, to manage a long, slow fall in interest rates which will lead to a long, slow, unexciting rise in gilts and a steady sale in line with the Government's need to borrow. The whole system, like a car with violent oversteer, is inherently unstable; and it is far from clear why violent gyrations in monetary growth should be thought worse for the economy than violent gyrations in interest rates.

Above all, perhaps, the authorities are almost certainly wise not to explain their policies too clearly, for this would add a still further instability to the system. As it is, a rise in interest rates provokes as often as not a sharp rise in M3 as money piles up in deposits waiting for better times in the securities market. If the authorities made it clear that they would always respond to a sharp rise in money by raising rates, then a rise in the money supply would of itself make it harder to finance the borrowing requirement, for fear of a coming squeeze.

At least as long as policy is vague, there is some hope that a large supply of cash will sooner or later push up the market, and a declared policy which ensured that the Government could only hope to borrow when nobody had any spare cash to lend would be a hard one to manage. Some of these dangers can be avoided by using M1 rather than M3 as the policy indicator, but even then nasty wobbles can occur. Monetary management is simply far more difficult than its critics seem to imagine.

Investment confidence

So has the gilts boom been good or bad news? Common sense is the readiest guide to the answer. The boom is part of the process of reducing interest rates, which must help to restore investment confidence, and if the Government has been funding rather rapidly in recent weeks, it will be the better able to avoid excessive competition with industrial borrowers later on. The authorities can and should borrow largely in a recession; if they do not, nobody else will.

The bad news, as so often, is for the taxpayer, for if the Government borrows on the whole when interest rates are falling from a high point and avoids competing with industry when they have come down, then the bill for debt interest goes up. Taxpayers who are worried about this, and have the cash to spare, should perhaps invest in gilts and make sure they are on the receiving rather than the paying end.

MEN AND MATTERS

Hotel jackpot for MGM

With much bezzaz, *The Sunshine Boys* has come to London. The film has Walter Matthau and George Burns as a couple of old vaudeville comics getting together for just one more performance. It is a production from the well-heeled Hollywood stable of Metro-Goldwyn-Mayer: and the need to make sure this film and the next MGM epic (a science fiction story called *Logan's Run* which is the company's most expensive to date at perhaps $9m.) go well on the business side here and in Europe has brought Frank Rosenfelt to town.

Since October 1973, bespectacled Rosenfelt has been president of MGM. He started as a lawyer with RKO Radio Pictures in 1950 when its controlling shareholder was Howard Hughes. Five years later, about the time MGM's legendary mogul Louis B. Mayer died, Rosenfelt switched to his present company. He rose to be secretary of MGM, a job he took unwillingly because, he says, of his preference for the picture-making side (he had earlier negotiated the rights to MGM's previous highest-budget film, *Dr. Zhivago*).

Once, MGM made 40 or 50 films a year. These days, it has been streamlined down to half-a-dozen. Much of the money comes from TV replays, and its 30 sound stages at Culver City are available to rent when not in MGM use. But the most extraordinary aspect of the company is that a solitary hotel now produces more profit for the group than films, either for the big screen or for television.

It is some hotel. Called the Grand, it dominates the loud life of Las Vegas with 2,076 bedrooms, a huge casino, and all the trimmings. Although it has been described as pretty garish, particularly because the familiar lion motif of MGM has been pressed into service throughout the $120m. establishment, there is no denying its earning power: the hotel ranks as America's most profitable.

"Tell them I'm fed up with this job."

Rosenfelt, manages to sound amazed at the sort of figures which flow across his desk in the leather-walled suite that was once Mayer's. The NBC network has just paid up for a screening of *Gone With The Wind*. "Five million dollars for that *one* broadcast," declares Rosenfelt, and shakes his head. Mayer would have been surprised too, but with another hotel planned for Reno, how would he have felt about that side overtaking films? "I think," says Rosenfelt, "he would have been delighted that the company has adapted to changed conditions."

Mailing blues

Mind you, running hotels is not always sweetness and light. For example, a Chicago motel is still smarting under the after effects of a direct mail advertising shot that went wrong. The motel sent our 4,000 "personalised" letters recently to thank former out-of-town guests for their custom. Unfortunately, because of a computer error, the letters were wrongly delivered to residents in nearby Chicago suburbs. Since then the motel has had more than 1,200 angry phone calls from recipients suspecting their spouses (or being suspected) of infidelity. I am curious about the 2,800 letters that have caused no complaints.

Beatles pitch

Reverting to the film world, no other town has Hollywood's power to create hallyhoo and publicity from the flimsiest base, and sometimes from no base at all. It is not surprising therefore that a reported deal by which the Beatles would be offered a guaranteed $30m. (plus a share of gross takings that could go as high as 50 per cent.) for a single one-night stand to be held anywhere in the world at the venue of their choice, is generally being treated with scepticism.

The scepticism is based in part at least on a widely held view that even sums of this magnitude would not be enough to persuade John, Paul, George and Ringo back onto the same stage at the same time. Nevertheless the man behind the offer, Hollywood promoter Bill Sargent claims that the offer is genuine, believes that he can pull it off, and reckons that there is money to be made all round.

From an orignally electronic background Sargent does have a promotional track record. His first successful deal was back in 1962 when he developed a system of cable TV without commercials, and in 1964 he launched the *Tami Show*, a programme showing rock groups appearing in live concerts, his first group being the then little-known Rolling Stones.

Motion pictures followed, and he produced the successful *Stop the World I Want to Get Off* which starred Anthony Newley and was filmed at Pinewood Studios in London. Last year through a company called Theatrovision, which he formed in 1973, he filmed the stage version of the life of Harry S. Truman — *Give 'em Hell Harry* — and has so far grossed around $10m. from this venture.

The economics of the proposed Beatles show rests on live closed-circuit showings in cinemas to at least 3m. people at $50 a ticket. (And there are indications that such a price would not meet with any consumer resistance in the U.S.). There would also be a film made which, according to Sargent, "should gross another $100m. with no problem at all." So now it is up to the four lads from Liverpool. Plus of course their batteries of agents, advisers and lawyers.

Christian

A little girl had a teddy bear that was cross-eyed. A visiting aunt asked what the little bear was called. "It is called Gladly," said the girl. "That's an unusual name isn't it?" queried the perplexed aunt. "No," said the girl, "It's Gladly my cross eyed bear."

Observer

FINANCIAL TIMES SURVEY
Monday January 26 1976

CORPORATE FINANCE

Industrial production appears at last to have reached bottom and a gentle recovery has begun. Further encouraging signs are that the rate of inflation has slowed down and the balance of payments deficit has been sharply reduced. But increased employment is bound to lag behind the recovery in output.

A new scene takes shape

THERE COMES a time in the affairs of the British economy—roughly every four or five years—when the air is thick with suggestions that *this time* output will never recover; the recession is here to stay: unemployment will never again fall below the figure of the moment. Such talk is usually accompanied by a resurrection of defunct theories linking economic activity to 25, 50 or 100 year cycles; to sunspots; and whatever. As the gloom deepens, we feel like those audiences currently packing the National Theatre, who wonder, with due respect to all concerned, whether in his enthusiasm for the uncut version of Hamlet, the director has forgotten the interval.

It is evident from the behaviour of the stock market and the findings of recent business opinion surveys that there is a general acceptance now that the interval has been reached. After plummeting down at a pace unprecedented in post-war years, industrial production sems to have hit bottom. A gentle recovery—obscured to some extent by stock movements—appears to have set in. More companies on balance expect output to increase than fall in the first four months of this year, the Confederation of British Industry tells us.

Victories

Moreover, there are genuine signs of tactical victories on other fronts. The rate of inflation, as measured by the wholesale and retail price indices, has come down from the 25-30 per cent. (per annum) recorded in the first half of 1975 to the region of 12-15 per cent. There is even talk that, for a few seconds at least, the Government's target of single figure inflation will be achieved this year. And the balance of payments deficit, for which the Treasury was forecasting a horrendous £3½bn. early last year, in fact came out at "only" £1.7bn.

At the same time it is clear that, while there *has* been a decline in living standards, and a relatively large one by post war standards, this has not, *on average*, been as catastrophic as many people feared. Real disposable incomes (that is, after allowing for price increase) fell by nearly 3 per cent. between the six-monthly periods October, 1974 to March, 1975 and April, 1975 to September, 1975, and probably fell further in the fourth quarter. But this still left them no lower than at the peak of the previous boom.

One must stress the "average" aspect of these figures, however, because it is crucial. There has, in fact, been a huge redistribution of income taking place in the U.K., which—as they know to their cost—has meant a much larger drop than 3 per cent. in the living standards of most members of the middle class. *Their* average incomes have failed to keep anything like in line with inflation, in contrast to the members of strong trade unions whose settlements until the Government's incomes policy was introduced last July were ahead of the price rises they were contributing to. The irony is that while the middle class feels really threatened, the average worker does not necessarily feel all that better off for the redistribution which has taken place: this is attributable not only to people's great expectations and the fact that from day one of a wage rise its purchasing power is steadily eroded; it is also a fact that during the present decade the terms on which advanced countries like the U.K. trade with the rest of the world have moved against us: "real" national income, adjusted for the terms of trade factor, has risen even more slowly than the gross domestic product.

This is one of the significant differences between the position now and in previous recessions: a related problem in the U.K.'s case is that, in spite of the depth of the recession, we are still faced with what by historical standards is a vast balance of payments deficit—forecasts for the current year being in the region of £1½bn. to £2bn. Two further significant differences are: the size of the unemployment problem—now 1.2m. seasonally adjusted and still rising fast; and the fact that, notwithstanding the recession's effect on inflation so far, we remain in an inflationary age. There is nothing in the Government's monetary plans as outlined recently to the International Monetary Fund to indicate that, "single figure" inflation is expected to last very long. And this is on the assumption, from between the lines of the IMF letter of application, that the Chancellor ignores union demands for reflationary action in the coming Budget.

Upturn

The prospect facing British business therefore is of a slow upturn in demand in the course of this year, led by exports and the general world recovery. It is unlikely to be given extra stimulus by the Government unless, as a quid pro quo for co-operation in the next stage of the pay policy, the unions give the Government no option. By 1977 the chances are that the upturn in output will have gained considerable momentum.

The recovery in the stock market is anticipating the effect of this upturn on company profits. Whether approached from conventional models or sectoral flows, the financial prospects for the company sector look better than they have done for some time, the previous concern for companies' finances having been eased to a large extent by the combination of their own retrenchment—via cutting back on capital expenditure and stocks—and the Government's relief measures on stock appreciation.

But that retrenchment carries with it concern on other fronts. Manufacturing investment fell by 15 per cent. in 1975 and is expected to drop a further 5.8 per cent. in current year. Not until 1977 is a recovery expected and then, according to the Department of Industry's latest enquiry, the rise could be as much as 10 to 15 per cent.

What is worrying the Government is that much of this new capacity may be installed too late to meet the extra demand expected from the general recovery in world economic activity. To this end it is helping companies with interest relief grants, in order to bring forward projects so that they are started before next September.

But one has an uncanny feeling of *deja vu* about the U.K.'s ability to cope with the strains which will undoubtedly occur during the next boom. One of the hopes vested in the new "industrial strategy" is that a tripartite attack can at least be made on obstacles to the better use of existing plant, and it is to be hoped the Government is successful. But union co-operation is going to be difficult, because it will be many months before the recovery in output is reflected in a changed employment trend.

William Keegan
Economics Correspondent

Government strategy needs clearer aims

THE ATTENTION which is being given to the Government's attempt to persist in the development of an industrial strategy, despite the Chrysler setback, tends to obscure the fact that these efforts are concerned with establishing a framework for only a small, albeit growing, part of the total amount of financial and other assistance which the Government is currently making available to industry.

In round figures the total cost of what is described in the annual Public Expenditure White Papers as support for trade, industry and employment is now running at something over £2bn. a year. This excludes the revenue cost of the present range of fiscal investment incentives and stock appreciation tax relief which does not formally count as public expenditure. But it does include the Government's financial support to the nationalised industries other than transport, the cost of the Manpower Services Commission's employment and industrial training services, and public expenditure on export promotion and the re-financing of export credits. Leaving these items on one side, the total cost to the taxpayer of direct financial assistance to private industry is still slightly in excess of £1bn. a year and, of this sum, selective assistance under the Industry Acts is absorbing somewhat more than £100m. a year, or between about 10 per cent. and 15 per cent.

The remainder goes on three broad categories of programmes and of these the biggest by far is the regional aid programme. In all, this is now costing close on £500m. a year. One cannot be more precise because the cost of the two biggest items—regional development grants and the regional employment premium—depends essentially on the level of investment and employment in the assisted areas.

Both are paid at standard rates—on the cost of new buildings, plant, and machinery in the case of the regional development grant and on numbers employed in the case of the REP. But, as a result of the doubling of the rate of the premium in August 1974 (which effectively restored its 1967 value in real terms), the total outlay involved in each case is now around £200m. a year. To these basic regional incentives has to be added, first, the cost of the advance factory programme, which has been stepped up substantially in the last 18 months and, secondly, the cost of the selective assistance made available to firms in the assisted areas in the form of loans, interest relief grants and removal grants under S.7 of the Industry Act 1972. The advance factory programme is now probably costing about £20m. to £30m. a year and S.8 assistance—which, like regional development grants, is showing the effects of the recession—is probably absorbing up to about £100m. a year.

Thus, even if S.7 assistance is left out, the regional aid programme accounts for almost half the total Government financial assistance which is received by private industry. Including S.7 assistance, regional aid absorbs just over half. The remainder goes mainly on either supporting advanced technology—aerospace and nuclear development, support for industrial research and technological sponsorship—or on aid for particular industries, such as shipbuilding, tourism, machine tools and aluminium. The total amount of selective assistance paid out to individual firms like British Leyland and industries such as woollen textiles under S.8 of the Industry Act 1972 is small, in this wider context, relatively tiny. Precise, up-to-date figures are hard to come by but in the last financial year the total was only about £26m.

Thus, while the Government's attempt to cobble together an industrial strategy is primarily concerned with providing a conceptual framework to govern the provision of selective (by which is meant discretionary) assistance under sections 7 and 8 of the 1972 Act and the considerably enhanced powers provided in the 1975 Industry Act, one could argue that the framework ought eventually to be developed so as to allow a fundamental review of the whole range of Government aid programmes.

The assistance programmes for shipbuilding and tourism, the advance purchase of machine tools, and the help provided to the computer industry and aluminium smelting may have all stemmed from separate Acts of Parliament but the motives which led to their introduction in the first instance were not all that far different from those which determine the use of the Government's discretionary powers under the Industry Acts. There is always a case for relating perceived results to the original objectives particularly in the case of long-established programmes. There is also always a case for questioning whether the make-up of £1bn. plus which is currently being spent on regional aid and support for private industry represents the optimum balance between the various programmes. Or, indeed, for questioning whether the total need be anything like so large if, for example, industrial profitability were to be restored to a level that would breed confidence and a willingness to expand and innovate and if Government relations with industry were to be conducted on a more consistent and restrained basis.

It is true that the objectives of regional policy before 1972 may have been heavily frustrated by the frequency with which regional aids were chopped and changed by successive governments. But the commitment to maintain unchanged the range of regional incenti[ves] which was introduced in 1972 a commitment which the prese[nt] Government has upheld expires at the end of 1977 wh[en] the transitional stage [of] Britain's EEC membership ru[ns] out.

The same date will also ma[rk] the completion of initial, expe[ri]mental period of the E[EC] Regional Development Fund a[nd] the expiry of the present E[EC] programme for the co-ordi[na]tion of state aids. In two yea[rs'] time, therefore, there will [be] an opportunity for reviewi[ng] the whole framework of regio[nal] and industrial support policy. [It] will then also be necessary [to] take more account of the "E[EC] dimension." As yet the Region[al] Development Fund rema[ins] essentially a budget-shari[ng] exercise: none of the U.K. p[ro]jects listed for the two tranch[es] so far paid out directly receiv[ed] EEC finance. But, in 1978 a[nd] afterwards, one is likely to [see] the EEC institutions trying [to] take a more positive part [in] determining industrial supp[ort] and regional aid policies with[in] the nine member countries.

Criteria

At this stage, however, it [is] distinctly uncertain wheth[er] the Government's thinking [on] industrial strategy will ever [be] hardened into a sufficien[tly] firm and clear set of crite[ria] to underpin the provision [of] S.7 and S.8 assistance, let alo[ne] to provide a bargaining pl[at]form for the EEC battles [of] the future. The vagueness [of] the proposals outlined at t[he] Chequers meeting last ye[ar] was perhaps inevitable if C[BI] and TUC acquiescence was [to] be secured after the tensio[ns] of the first 18 months of t[he] present Government's tenu[re]. The basic problem is not la[ck] of precision but too ma[ny] conflicting objectives. It is o[ne] thing to try to put the pr[o]vision of financial assistan[ce] on a firm commercial bas[is] which was the original Treasu[ry] and Department of Indust[ry] motive. It is another to try [to] make the same policy serve [as] a vehicle both for an extensi[on] of worker participation and f[or] a new initiative in indicati[ve] economic planning.

Colin Jon[es]

Interest rates come down

IERS THREATENED to n's economic future by the level of industry's new ment have been the sub- of continued concern by overnment and economists. the whole responsibility is ominous trend certainly t be laid by company s at the door of high st rates, vital as the cost ancing by various methods be to all decisions on l projects.

ile few would question ause for concern is to be in the fact that manu- ers' capital outlays fell by r cent. last year and are ated to drop by some 6 ent. more in 1976, the ns for the downturn are mple.

hough the level of interest —the cost of raising the e needed for new schemes tainly plays a key part in formation of companies' trial investment policies, not the only influence.

e of the principal factors, having more deterrent than ever before, is the ecedented pace of inflation, places a large and un- ng question mark over the ate bill for new projects, ver closely their cost is ally estimated.

en, the drab economic te of the past year or more discouraged many from rtaking expansion plans e profit-making potential eemed uncertain in condi- of sluggish demand.

is chiefly the bold—often argest companies with the est financial muscle—which been able to take the long and continue investing to ady for the rise in demand the next economic upturn. others, hard-pressed by record squeeze exerted on anies' cash position through and afterwards by tax and tary pressures, have been ed to husband resources r than be venturesome t expansion.

1976 opens, however, the ces for investment are ing to look rather better. tion has abated somewhat cost of living rise being ed to some 13½ per cent. in past six months—and the t of the recession appears in some sectors.

ist as important, the cash position of companies has greatly improved — partly through de-stocking and as a result of the tax relief on stock appreciation — compared with 1974, when the company sector experienced a £3bn.-plus excess of bank borrowing over short-term assets. With a prospect of rising prices this year, the cash position of companies in 1976 altogether should be much easier.

Last, but far from least, of the factors which may now be more helpful for investment is that interest rates have continued their fall into the present year.

One of the most important costs to have declined is that of bank borrowing, always a major source of finance for companies. For instance, it provided nearly 30 per cent. of the capital needs of industrial and commercial companies—£4.5bn. out of £14.7bn. in 1973 and £4.4bn. of £14.4bn. in 1974.

Decline

As short-term interest rates have gone down all over the world, the base lending rates of the big British clearing banks have started to decline in their turn. After a fall in January, they now stand at 10½ per cent. This compares with 13 per cent. at the beginning of 1974 and 12 per cent. a year ago—though it is still above the 9½ per cent. prevailing from April to August, 1975, before rates in Britain turned up last autumn as part of measures to protect the pound.

For large "blue chip" companies, which pay a margin of 1 per cent. over base rate, this means an interest rate of 11½ per cent. on their overdrafts, compared with 14 per cent. at the start of 1974. Other companies, according to size and standing, are charged up to around 14 per cent., 3½ per cent. over base rate.

Since the banks now have plentiful cash available for suitable borrowers, they could also be quick to respond with fresh cuts in rates to any further downtrend in international rates.

Base rate trends are also important for a special form of financing developed by the banks in the past few years—medium-term loans up to five or seven years, and occasionally longer, as distinct from overdrafts which are, in principle at least, repayable on demand. This type of arrangement affords the borrowing company the assurance that the money will continue to be available for the prearranged period, repayment most often being phased over the term of the loan.

Interest-rate terms here are rather higher than on overdrafts, reflecting the fact that the bank is tying up its money for longer. They tend to be on average around 3½ per cent. over base rate, though the margin varies between 2½ per cent. and 4½ per cent. above.

Fixed-term loans of this kind are sometimes arranged to fund a certain "hard-core" element which has built up over the last two difficult years, carrying an overdraft beyond what the bank wants to see.

But medium-term finance is perhaps more often fixed up for particular investment schemes, especially those by moderate-sized companies. It is reasonable to suppose that this type of concern could well be quite responsive in planning capital outlays to any further drop in base rates.

One of the major sources of finance for companies over the past year has been found in rights issues of new share capital. Since February, 1975, the stock market has seen an unprecedented flow of such money-raising operations—some £1.2bn. in 1975 as a whole—and is now witnessing a rapid procession of further offers.

The resumption of rights issues, starting in February last year, was the more striking because it followed a long spell in which such operations were virtually at a standstill. The £61m. issue by Commercial Union Assurance in the autumn of 1974—at a price giving a very high dividend yield of some 17 per cent. on the offer price—had been almost the only issue of note for many months previously.

The strongly reviving share market last year, during which the FT 30-share index jumped by 133 per cent. from a 20 year low in early January, provided an encouraging background for resumption of rights issues.

As share prices moved up, the dividend yield on which such new issues were launched fell back correspondingly. While the dividend return on all constituents of the FT-Actuaries share index had climbed to a record level of 12.2 per cent. in December, 1974, it is now sharply down to 5.39 per cent.

The relatively modest average dividend cost of initially servicing the new capital raised by rights issues understandably makes this a highly popular source of fresh funds at present.

Even apart from requirements for immediate major investment projects, companies in a position to do so are now hurrying to fix up rights issues. This is often done to bring issued capital into a more suitable ratio with total funds employed, since borrowings have tended, with the progress of inflation, to be boosted to a higher level than is usual in relation to shareholders' funds.

One type of borrowing which has shown notably little revival in the context of generally more active money-raising is that by long-term fixed interest issues, such as debentures and loan stocks. The one exception is the convertible loan stock issue, of which there were a considerable number last year.

"Straight" fixed-interest stocks, however, have lately evoked notably little enthusiasm either from potential borrowers or investors. From the investors' viewpoint, the fear of erosion from long-term inflation has substantially diminished the appeal of a long-term fixed interest stock.

Companies themselves also appear to have reservations about saddling themselves over a long spell of years with a high fixed interest burden.

One further type of borrowing which has the appeal of modest interest rates is that through Eurocurrency syndicated loans or Eurobonds. Here interest rates are somewhat lower than on sterling credits of comparable periods, though the obligation to repay in foreign currencies such as dollars, Swiss francs or others, poses a possible extra risk which must be allowed for.

Margaret Reid

Adjusting for inflation

NEARLY FIVE months after the publication of the Sandilands Report and two months after its broad acceptance by the Government, the formal machinery of inflation accounting is beginning to roll. The Steering Group under the chairmanship of Mr. Douglas Morpeth has embarked on its main task of preparing an exposure draft on current cost accounting with a view to the implementation of the Sandilands proposals in company accounts for periods commencing after December 24, 1977.

Moreover the Stock Exchange, with an unexpected turn of speed, has asked quoted companies to give a lead. Far from waiting until 1978 accounts are published in 1979, companies are asked to produce supplementary information as soon as possible, along with conventional historic cost statutory accounts.

The Consultative Committee of Accountancy Bodies, representing the accountancy profession, has also urged companies (especially listed companies) to include in the interim period a supplementary statement, preferably based on the CCA method as amplified by the comments of the CCAB last November.

The Stock Exchange has asked companies to include the following information: first, the Sandilands-style cost of sales adjustment in relation to stock consumed; second, the value, to the business of the assets being depreciated and the amount of depreciation chargeable on such value; and third, the effect of inflation on net monetary assets liabilities. It has had second thoughts about asking for the effect of inflation on the equity interest, which would have posed too many practical problems.

Given the Stock Exchange's move, inflation accounting is likely to have a wide impact quite soon: many large companies will probably be presenting supplementary information with their 1975 accounts due within a few months. One company, Smiths Industries, did so last November, disclosing that its historic cost pre-tax profits of £12.5m. would, under CCA, be liable to a £6.5m. cost of sales adjustment and a £2.5m. charge for extra depreciation. That would leave current cost profits at only £3.5m.

No wonder some people in industry and the City are becoming concerned about the implications of massive reductions in the reported profits of companies. The Bank of England-sponsored City Capital Markets Committee earlier this month expressed concern that companies will "by so illustrating their 'real' financial position have restricted their access to the capital market for future years." The result, warned the Committee, would be a reduction of investment programmes and competitiveness.

Martin Gibbs of stockbrokers Phillips and Drew has estimated that about a fifth of the large companies whose figures are analysed by his firm are making losses on the strict CCA basis, which only includes operating profits. As many as half the companies have uncovered dividends. Overall, the reduction in pre-tax profits would be around 60 per cent.

The National Income Accounts give a general guide to the impact of CCA. For 1974 gross U.K. trading profits of industrial and commercial companies were £11.12bn. before interest. Stock appreciation was £4.88bn., while depreciation was £1.78bn. on historic costs, and £1.36bn. extra on replacement cost. It looks as though CCA pre-tax profits may have been only about 30 per cent. of the HCA figures.

These very dramatic reductions in profits are, however, moderated by taking some account of monetary items. Most industrial and commercial companies have net monetary liabilities and consequently make gains when the real value of these debts declines through inflation. Such gains, though, *only produce tangible benefits* if the real assets of the business rise in value with inflation.

Estimates have been made to show that company profits calculated through the now-abandoned current purchasing power system of accounting, embodied in the provisional accounting standard SSAP 7, would be very little lower than historic cost levels. Going back to the example of Smiths Industries, CPP pre-tax profits worked out at £7.8m. for 1974-75, somewhere in between the CCA and HCA results.

What the accountants are now suggesting is that the general rate of inflation should be used to adjust the change in shareholders' funds of a company between the beginning and end of the year, as calculated on a CCA basis. The result would be an amalgam of specific and general price level accounting.

The increase in purchasing power of the shareholders' funds over the year would be equivalent to the total gains made by the company in real terms. This could be divided up *into three parts—Sandilands*-style CCA operating profits, monetary gains and holding gains on fixed assets and stocks (to the extent that these exceed the general rate of inflation).

One of the tasks of the Inflation Accounting Steering Group is to consider these modifications to the basic Sandilands proposals, and try to find a way of making the final presentation generally acceptable. In this, it will have to bear in mind the different requirements of users of accounts in industry, the City and elsewhere.

Many large companies in industry have already become accustomed to the widespread internal use of replacement cost accounts, at least for fixed assets. There is not likely to be any sudden impact on investment decisions, but there is no doubt that the level of confidence in industry has been gravely affected by the collapse of real profits in recent years. Trading profits of industrial and commercial companies, net of stock appreciation, have collapsed *from 16 to 7 per cent.* of domestic income in the past decade.

Looking on the positive side, disclosure of very low CCA operating profits may at least convince unions that high wage demands put companies, and therefore jobs, in danger, and may force relaxations in the Government's price controls, which are still based strictly on historic cost figuring. They may also strengthen the hand of companies in negotiating for higher prices on contracts, not least with the Government.

Favourable

Industry is also able to assume that the more favourable tax treatment offered in recent years on stock appreciation and investment will continue. But the very low level of profits has meant that many companies are not paying enough mainstream corporation tax to get the full benefit from existing reliefs.

The major concern may be over access to new finance. It is a matter for conjecture how banks and shareholders will react to totally new accounting rules, which are likely to show that interest and dividends are much less comfortably covered than under HCA, certainly if only CCA operating profits are used as the yardstick.

However, the damaging effect of inflation accounting on company earnings may be to some extent offset by the improvements which will suddenly appear in balance sheets as assets are inflated to—in most cases—replacement values. It will be necessary to look at both operating and holding gains. But the large deferred tax element which will rapidly build up in balance sheets is a problem which promises to become onerous.

As for share prices, it is worth bearing in mind that, despite the recent gains in the bull market, *equities in real terms* are standing at under half what they were in 1972. In that sense share prices have already undergone a very substantial adjustment to the decline in real profits. The stock market will also be prepared to react in advance to any recovery in companies' positions. The bullish phase of the past year has already seen companies raising well over £1bn. through rights issues. But whether the stock market would easily withstand widespread dividend cuts, or even a noticeable slowdown in dividend growth, is another matter.

Barry Riley

Institutional debate

TOWARDS THE end of the month it is widely anticipated that the major institutional investing groups, the insurance companies, pension funds, unit trusts and investment trusts, will, albeit reluctantly, have agreed to establish a new banking organisation. Its objective will be to take a small proportion of the premium income or cash flows of these institutions, and direct this money into ordinary capital in companies which cannot raise finance on the Stock Exchange through the normal "rights" issue machinery.

Set out like this, this new development has a bland, matter-of-factness about it which disguises the heated debate which has been going on for some six months about whether such a new "bank" is desirable, either economically or politically.

Already the initial timetable for the announcement of the launching of Equity Investments Limited (EIL) (as it is expected to be called) has been postponed a month and a draft, which the project's sponsors (who include the Bank of England and its industrial adviser Sir Henry Benson) hoped had been agreed, has been modified after consultations were widened out of a narrowly based Working Party. Already too, in what must be considered a remarkable decision in view of the official support for EIL, the Scottish life assurance companies have made it clear in public that they are fundamentally opposed to the idea. Among other things they fear that EIL will become a repository of "lame ducks" and that far from improving the image of institutional investors it will lead to the heaping of further criticism on their heads.

While the equity bank is expected to be incorporated it is highly likely that some Scots will not be the only ones to abstain from contributing to EIL's initial capital. Indeed such has been the intensity of the controversy about EIL facile attempts have been made to disguise the source of the initiative (at the Bank of England) and suggest that it is an idea dear to the hearts of institutional investors and lovingly embraced by them.

Controversy

The sources of the controversy include the fear that pressure will be put on institutional shareholders to invest their policyholders and pensioners' savings in companies which are more dead than alive; and that the test of "viability" which will feature strongly in any official agreement to establish EIL will be quickly forgotten.

It is controversial too because many of those who are examining the proposals believe that the initial impetus for creating an equity bank was and still is essentially political. It is strongly argued that some of the project's sponsors see it as a sop which Governments might swallow as an alternative to forcibly requiring institutional shareholders to direct their funds into "worthwhile" projects, with "worthwhile" being defined by Government of course. Even those who have come to accept that there may be a number of small industrial companies who could make profitable use of funds (which a volatile and size conscious Stock Market cannot or will not provide) fear that they can already see the thick end of the wedge in the wake of EIL. They suspect that formal direction of institutional funds will be more easily established once the important principle behind the new equity bank is conceded.

The fears may be well founded. But as some short term insurers with international operations admit, elsewhere in the world they have to live with Government restrictions on their freedom to invest and bow to informal pressures to put cash into businesses or sectors, such as housing, which they would not choose to invest in freely. Moreover it is politically unrealistic surely to expect a Government and a nation which, perhaps belatedly, has become profoundly concerned about its industrial capacity to allow important and potentially viable companies to fail for want of support. In the long term moreover, is it re[...] in the interests of the pensi[...] ers and policyholders that institutional investors are cla[...] ing to protect, that potenti[...] viable companies fail for w[...] of direct intervention by th[...] shareholders?

And it is this concept of di[...] institutional intervention w[...] lies behind the creation of [...] and, in the end, may prove m[...] important than the new eq[...] bank itself. After all [...] is expected to have an in[...] capital of no more than £5[...] and commitments about fu[...] capital injections are likely [...] be vague.

The debate about EIL however brought more shar[...] into focus the issues relating [...] the responsibilities of sh[...] holders to do their best to [...] sure that companies are [...] ciently managed. Concern ab[...] this led the BIA last year [...] send a recommendation to [...] members advising them how [...] counter criticism that they [...] "absentee landlords."

"Absentee landlordism" [...] institutional shareholders [...] the importance of their resp[...] sibility for monitoring man[...] ment is a separate issue fr[...] the direct investment of fu[...] through an equity bank; but [...] two things are intimately [...] lated. Institutional invest[...] concern about these issues [...] growing and this concern [...] lead to more active "gin [...] group" intervention (easy [...] say but hard to do as the [...] stitutional Shareholders C[...] mittee has again been find[...] out in the past twelve mont[...] to pressure for more meani[...] ful disclosure of manageme[...] performance in comp[...] accounts, and perhaps to a m[...] realistic and practical attit[...] towards labour relations. In[...] tutional shareholders' links w[...] organised labour are woefu[...] inadequate—the working pa[...] on EIL did not even bother [...] consult a trade unionist wh[...] taking its "soundings."

Revealingly these "soun[...] ings" were mostly taken [...] hailing distance of the Ba[...] of England. Behind t[...] decision is a narrowness a[...] partisanship which is sur[...] damaging to the policyhold[...] and pensioners who have fai[...] fully continued to buy insuran[...] policies and savings contra[...] through an unprofitable inf[...] tionary cycle. The debate ab[...] EIL is bringing some of th[...] issues into the open and t[...] could prove more import[...] than whatever institutio[...] "equity bank" eventu[...] emerges.

Stewart Flemi[...]

Finance for Industry

IN NOVEMBER, 1974, the FT 30 Share Index was in the process of tumbling to its low of 146, bank base rates stood at 12 per cent. and discussion of the "doomsday machine" — the mechanism whereby margin control and high real tax rates were squeezing profitability and the ability of companies to generate cash—was rife in the City and industrial circles. The equity and loan markets were to all intents and purposes dead as a source of finance capital and reliance on short-term overdrafts placed a great strain on balance sheets and bankers alike.

The Budget of that month set out to meet two main problems. On the working capital front, stock appreciation relief was introduced, estimated at the time to afford relief to the tune of £800m. by way of deferred tax. The other main aim was to reduce calls on bank finance arising from capital investment plans by creating a medium term finance facility. This formed the backdrop to the emergence of Finance for Industry (FFI), the embodiment of the so-called "Lever Bank," as a privately financed channel for supporting investment projects.

FFI was formed in 1973 by a merger of two established financial intermediaries, the Finance Corporation for Industry and the Industrial and Commercial Finance Corporation (ICFC). ICFC was the more developed of the two, specialising in the provision of venture capital, and also the largest. FCI, originally set up to cater for demand for medium-term loans to industry, had become almost a lender of last resort, advancing only one loan of £3½m. in 1973 and a mere £300,000 in the first half of 1974. It was this side of FFI that was to be expanded.

The original lending target was £1bn. within two years. Shareholders, in the shape of the clearing banks and the Bank of England, were committed to subscribe up to £85m. of equity and, at the same time, borrowing powers were increased from four times to seven times capital and reserves.

Expansion

The purpose of the FCI loans is to finance capital expansion projects where bank overdraft finance would be inappropriate, and special emphasis is given to export-oriented investment. The projects concerned do not have to be newly contemplated, and funding of existing financing schemes are not necessarily ruled out. Borrowers are offered the choice of fixed or floating rate loans or a mixture of the two and repayment can be either on an annual or half yearly basis. Rates are set on a commercial basis: for ten-year fixed rate money, borrowers would be charged about 15 per cent., while floating rate charges are set at a margin of 2½ per cent. over the six month London Interbank offered rate, which stands at the moment at 10 per cent.

The change in market conditions since November, 1974, has certainly curtailed the expansion of FFI and the two-year lending target of £1bn. has had to be set aside. Whereas in January, 1974, FFI was talking of 100 inquiries received, with a prospective loan total of between £350m. and £400m., by October it had approved loans of £180m. in 24 companies and was in negotiations with a further 37 companies for a total of £300m., implying no marked increase in demand for loans.

In the first half of FFI's financial year to September, 1975, FCI advances had only got up to around £50m. against which it has to service, for example, the £75m. 13 per cent. loan issued in February, 1974. Interest charges for the group rose from £11.2m. to £20.3m. and a £4.6m. turnround to pre-tax profits of £3.22m. was entirely due to the operations of ICFC.

Official statistics show that in the second quarter of 1975, the increase in stocks and work-in-progress as a percentage of undistributed income in industrial and commercial companies had fallen to 29.4 per cent. compared with 83 per cent. in the same period in 1974 and 47 per cent. for the whole of 1973. At the same time, the increase in company net borrowings had fallen from £2.66bn. in 1974 to £380m. in the second quarter of 1975, while the increase in funds from loans, share and debenture issues amounted to £590m. compared with a negative item of £38m. in the comparable period.

Although ICFC has felt the impact of these changed conditions—around 43 per cent. of its outstanding advances at the end of March, 1975 were in the form of debentures and secured loans—it is also true to say that over the years, clearing banks have encroached on the traditional territory of the company. ICFC aims to provide finance in various guises, ranging from loans shares to property and equipment leasing, and while the range of lending is anything from £5,000 to £1m., over 60 per cent. of its advances are under £50,000. As with the FCI, financing packages are worked out with the emphasis on flexibility. The growth of variable rate term loans from clearing banks, as well as the general cutback in expansion plans, has removed a portion of FFI's customers, but a realignment of short and long-term interest rates would pave the way for fresh acceptance of the value of long-term loans at fixed rates of interest.

Terry Wilkinson

Stock market issues

ONE OF the most frequently heard claims put forward by spokesmen for the City of London during the last year has been about how the stock market has again become a major source of finance for industry. In practice this is an exaggeration. While the total of over £1.2bn. raised by rights issues in 1975 is impressive by any standards—as much as the total for the last four years combined—the stock market is still only a relatively minor provider of money for business.

Even at the height of the wave of rights issues during the second and third quarters of last year, issues of ordinary shares only accounted for 15 per cent. of the total sources of finance of industrial and commercial companies. This is a peak figure even by comparison with previous periods of activity for ordinary share issues such as in 1972, and the average has been barely 1½ per cent. during the 1970s.

The relative significance of the stock market as a source of new equity capital—with new debenture and preference share issues negligible since 1972—can be appreciated by the fact that investment grants have in total been a more important method of finance from 1970 to 1975. The primary source of funds for industrial and commercial companies has been their own undistributed income—varying between about 49 and 55 per cent. of the total between 1970 and 1974. The main external source of finance has been bank borrowings—a rising proportion until last year and between 25 and 30 per cent. of the total.

Although the stock market is not a major provider of finance on a direct basis, it can be regarded as one indirectly since the decisions (in the absence of dividend controls) on how much of post-tax profits should be distributed or retained is in effect a judgment by shareholders' representatives on the use of equity capital. Payouts have to be sufficient to keep shareholders satisfied with the balance between retentions and dividends. And, of course, undistributed income builds up the equity of a company, which is reflected in its share price and hence in its ability to raise finance by rights issues.

Under the present conventions of rights issues—on a one-for-four or a one-for-five basis and a 20 to 25 per cent. discount—the share price effectively determines the amount which can be raised by a company at any particular time. Of course, from a shareholder's point of view an issue is most attractive when share prices are low: there are likely to be few complaints now among those who subscribed, for example, to the Chloride issue in the autumn of 1974. But, in general, rights issues are a bull market phenomenon and the wave of issues in the spring and summer of last year in part represents a catching up after the previous long, sharp bear phase.

But the sheer amount raised last year indicates that there were also other special influences at work. In particular, the combination of accelerating inflation and price controls had produced an increasing deficit in the corporate sector (though in fact it had passed its peak by the end of 1974), with problems caused especially by the very large appreciation in stocks over the period. At any rate, the result was a sharp increase in debt/equity gearing of many industrial and commercial companies—and many rights issues can be seen primarily as a way of reducing short-term borrowing and improving gearing.

Pressures

A glance through the list of the 160-odd companies which came to the market with rights issues in 1975 shows that the prime motive of many—notably, for example, the food manufacturers—was indeed to reduce bank overdrafts caused by earlier severe working capital pressures. And in relatively few cases have shareholders been asked to subscribe money for companies which had specific expansion and investment plans earmarked and which could, to judge by their record, offer a rate of return to match inflation. Of course, it can be argued that the actual reason for an issue does not matter very much if the proceeds of the issue strengthen the capital base for future growth—the worry is that the shareholder may not receive any longer-term reward.

A striking feature of the rights issues over the last year has been the high proportion of money—around a third of the total—which has gone to the financial sector, in particular the composite insurance companies. Six out of the seven majors have had an issue in the last 18 months, as well as two other companies, Prudential and Legal and General, which have large general funds.

The recapitalisation of the insurance sector followed a sharp erosion during 1973 and 1974 of solvency margins—the relationship between premium income and the equity base. This was caused by the impact of inflation both on the rate of increase of premiums and, via a deterioration in the underwriting cycle, on retentions, which have not risen sufficiently to maintain margins—especially at a time when the equity base is anyway under pressure from the falling property and share values.

The reduction took the solvency margins of some companies below the level which they had historically regarded as acceptable, even though still above the legal minimum, and margins rose sharply in early 1975 as the stock market recovered. But margins were still below previous levels, hence the issues, and unless in future retentions match the growth in premiums (or investments grow more steadily than in the past) then rights issues may be more frequent. Broadly the same arguments apply in the banking sector, where inflation has undermined traditional capital ratios, though Midland Bank is the only one of the big four to produce a rights issue so with some of the others [...] pected to come to the ma[...] shortly.

The impact of inflation [...] operating ratios is also ap[...] ent in the manufacturing se[...] —as already mentioned in [...] case of food manufactur[...] while also including, [...] example, engineers with a [...] stock turn. But it is not [...] past increases in gearing wh[...] are being corrected but [...] future rises since some is[...] are intended to broaden eq[...] bases ahead of the next upt[...] in the cycle. In its recent ri[...] issue, Plessey, for exam[...] specifically mentioned its de[...] to broaden its capital [...] ahead of the likely worl[...] capital pressures when dem[...] revives. Indeed an upturn [...] the cycle could require an a[...] tional £40m. to £60m. of w[...] ing capital. Plessey's pre[...] gearing is fairly modest, bu[...] nevertheless argued that w[...] out an issue it was possible [...] its scope for expansion m[...] be affected.

Inadequacy

In general, the recent se[...] of rights issues can be s[...] primarily as a call to sh[...] holders to fill in gaps ca[...] by shortcomings elsewhere [...] the system—caused either [...] price controls or the long-t[...] inadequacy of profits. L[...] of the money raised has b[...] for clear-cut expansion. Ind[...] the financing of the m[...] recent risk venture in Bri[...] industry—North Sea oil [...] gas exploration and deve[...] ment—has largely by-pa[...] the stock market.

It is also noticeable [...] there have been few flotat[...] or calls for money by new c[...] panies seeking a stock ma[...] quotation. There is some [...] enchantment with the idea [...] going public, and many e[...] panies of the size which co[...] consider such a move can [...] way obtain the bank fina[...] they need while remain[...] private.

Peter Ridd[...]

Slow growth of bank loans

.CKS ON the banks for : to support industry — with the rest of the City ve been a frequent theme bate over the past year t the background of the in industrial investment. tly, the argument has up again in the context as for nationalising the and a number of com- by industrialists and nics have suggested that nks could do more to help ry. The parallel has been particularly with the on in Germany, where take a more active par- ion in industry, includ- bstantial equity interests, the suggestion that the a banks should follow this ple.

tainly, *the growth of bank* g to manufacturing indus- is remained very sluggish the past year. But the , with some support from Bank of England, have d that this reflects not unwillingness or inability to lend but the lack of demand from industrial customers in a period of economic recession, low profit margins and sharply reduced investment. While continuing to resist proposals that they should be actively involved in equity participation in industry, the banks maintain that they have already developed considerably the services they provide for their corporate customers and, in particular, have extended the provision of medium-term loans. Mr. Deryk Weyer, the senior general manager of Barclays, went on record last November with the statement that in a period of stagnant demand for overdraft finance, the bank's medium-term loans for periods *of up to ten years had grown* to account for about a quarter of all its lending to manufacturing industry.

The course of bank lending in the past year has been determined largely by the marked change in the financial circumstances of the company sector. This has reflected partly the specific official help offered, including the tax relief on stock appreciation, but has also resulted from the general impact of recession. The sharp de-stocking which continued at least until the third quarter of the year, together with the fall in manufacturing investment, contributed to a turn-round in the company sector which brought a substantial drop in the previous heavy financial deficit and a steady improvement in the liquidity of the company sector. This, together with the renewed inflow of equity funds resulting from the recovery of the stock market, left the company sector in the first half of last year as net suppliers of funds to the banking system for the first time since 1971.

Only in October was there any significant sign of a pick-up in industrial demand for bank finance, generally dismissed at the time as a temporary fluctuation. And by the end of the year, with December showing a renewed underlying drop in bank lending to manufacturing industry, the signs were that demand remained depressed. Most bankers, indeed, have not been looking forward to any real improvement in the situation, at least until the middle of this year, in spite of the recent indications from various economic statistics that the recession may have passed its bottom.

Supported

Some encouragement may be provided to industry by the recent renewed drop in the general level of interest rates, which the Bank of England, through the temporary repayment of special deposits recently announced to help the banks over the tax gathering season, has clearly supported. The evidence is, though, that against the background of a low level of economic activity and depressed profit margins, the cost of money has not had a marked effect on investment decisions. The banks' base rates, for example, dropped from 12 per cent. to 9½ per cent. during the first half of last year before turning up again in the summer, without any obvious results apart from giving some extra relief to industry's cash flow position.

In this situation, the two potential problems which have been widely debated in the past year—the dangers of excessive growth of the money supply and the threat of "crowding out" of industrial loan demand by the heavy requirements of the public sector—have not become serious. At one stage last autumn it was being suggested that the Bank of England might need to call further special deposits in order to mop up some of the high-powered liquidity in the banking system which, it was felt, could bring a rapid rise in the money stock if put to use in the private sector.

In the outcome, the success of the authorities in selling large amounts of gilt-edged stocks has effectively funded a considerable proportion of the short-dated liabilities which the Government had previously incurred, keeping the money supply more or less static in the latter months of last year. Instead, therefore, the Bank has found it necessary actually to release special deposits in order to avoid a temporary squeeze on the banks and a rise in short-term interest rates against the underlying trend.

Nevertheless, the problem may only have been postponed, with the expected further large Government borrowing requirement in the next financial year more likely to coincide with a renewed upturn in private industry's demands *for* finance and present the problem of reconciling public sector borrowings with keeping the growth of money supply in check. At that time, the banks might begin to find real difficulties in meeting the needs of industry, which in recent years has *tended to rely more heavily on* the banking sector for finance in periods of expansion, no doubt partly because of the decline in profitability and in the availability of internally generated resources.

The argument over the role of the banks has come up repeatedly in the past year against the background of the general debate over the City's response to industry's requirements. The expansion of the facilities of Finance for Industry and the efforts to get an institution-backed equity bank off the ground have been part of the scene in which questions have been raised about how far the banks themselves should change their approach. The point has been made by a wide variety of voices. Changes in the banking system to raise the level of industrial investment were advocated, for example, in a book by Professor J. M. Samuels, Dr. R. E. V. Groves and Mr. C. S. Goddard. And more recently a broadsheet produced by Political and Economic Planning has maintained that the banks and other institutions need to change traditional attitudes and build up better knowledge of industry in order to provide long-term finance in the way it is done in other advanced countries

Equity

The response of the banks to the claim that they have let industry down is not entirely negative. They remain opposed *to the idea that they should* undertake substantial equity investment in industry, arguing that in the context of the British capital markets it is not the job of the banks, relying on short-term funds, to commit themselves in this way. In contrast with Continental countries where the banks do carry out this function, it is argued, the U.K. has a much more fully developed long-term capital market in which the insurance companies and pension funds operate to channel savings to industry. (It is perhaps relevant to note that on a recent visit to London the representatives of Deutsche Bank, one of those most involved in this way, maintained that apart from exceptional circumstances it was the bank's policy not to increase its industrial investments any further.)

As was recently set out by Mr. Derek Wilde of Barclays, however, the banks also maintain that they have in fact made important steps towards improving their service to industry. He drew attention, like Mr. Weyer, to the increase in the amount of medium-term loan facilities being offered by the clearing banks. He added to this the growth in recent years of the international networks of the big clearing banks and of their more specialised activities such as leasing, factoring and insurance, and their efforts to improve their understanding of industry through the appointment of specialists in various fields and their development of advisory services. Finally, he emphasised the growth of the merchant banks owned by the big clearing banks, and their ability to give financial advice and to participate in industrial financing.

The questions raised by industrial finance have as yet received no clear answer in relation either to the activities of the independent merchant banks, living largely on their ability to develop new ideas but lacking the large resources available to the clearing banks, or to the clearing banks themselves and their ability to develop the more extensive involvement in industry demanded by many recent commentators. In whatever form, however, the banks will remain a major source of funds for industry.

Michael Blanden

Merchant banks

ROLE of the merchant has never been easy to . And in recent years ing specialisation—forced is sector of the City by mic recession and growing tition—has only added to mplexities. But the mer- *banks are traditionally* iers, and broadly speaking activities still fall into four ct categories.

ne of the smaller banks to concentrate on just one o fields, leaving the larger , like Hambros and Hill el, to play a more conven- l role with a range of ser- that cover commercial ing, investment manage- , corporate finance and opment or venture capital. the exception of invest- management, these trad- reas have a direct relation- with the financing needs of stry.

e sector's commercial bank- perations are in direct com- on with the clearing banks, those banks that are tance houses also deal in tance credits, which is one where the clearers cannot ete. Development capital, much less fashionable as a of business than it was at end of the 1960s, will rally involve small, un- d companies willing to equity for cash injection. over the past 11 months banks' corporate financing rtments have had a busy coping with rights issues.

it in general the majority anks would describe them- as underlent. The nomic recession has made very low activity levels over past couple of years, and ough recent months have luced some signs of an up- *in most areas of financing,* ness levels remain at a low

And the market place undergone a considerable nge—at least where develop- nt capital is concerned.

here are now very few out- left offering this sort of ser- to the company that has *iculty in raising* funds ough more conventional nnels. Practically all mer- nt banks, some insurance npanies and many other rces—*from* individuals to lic companies—have at some e invested in unquoted com- nies as part of a medium m spread of investments. But es change. Insurance com- nies and pension funds have ered their risk levels, and n the merchant banks now e a very conservative line en requests for risk capital e made.

limate

In one sense this nervous siness climate benefits the ecialist merchant banks. For e point at which industrialists ll seek development capital, en all conventional banking, re purchase and leasing facili- s have been exhausted, has en brought forward.

Charterhouse and ICFC are o of the more prominent velopment capital specialists. harterhouse finds investment present will usually vary tween £50,000 and £100,000 er company, though occasion- lly—and this will invariably volve some non-equity finance —the bank will go as high as £m. In recent years the bank as invested between £2m. and 3m. a year in return for an quity stake that can range rom as little as 15 per cent. to round 40 per cent. Like most merchant banks, Charterhouse follows a middle of the road policy, tending not to lend to property companies or those concerned with higher forms of technology.

Before the introduction of Capital Transfer tax, a merchant bank would hope to enhance its *investment by eventually* bringing its "nursed" company to the stock market. But public issues of shares have now become a complex matter involving a shrewd balance between individual needs and market timing, and on all but very few occasions a bank will have little hope of an eventual "out." In the meantime, interest rates are high with the equity stake that the merchant bank takes demanding a net dividend of the order of 12 per cent. An alternative to a public issue is a "trade sale," with the small expanding company catching the attention of a bigger—usually quoted—company within the same industry.

Source

The ICFC with its Technical Development Capital subsidiary is still the major source of capital *for* growing companies. The Co-operative Insurance Society backs the Small Business Capital Fund, and then there are one or two American banks in this field. But perhaps the most significant development of late has been the entry into venture capital by the clearing banks; these have been steadily setting up subsidiaries to handle the capital investment side of what are normally packages linked to overdraft facilities provided by parent companies.

In 1975 the ICFC invested some £51m. in small but growing companies, to make a total of £427m. since the corporation's formation in 1945. ICFC provides amounts ranging from £5,000 to £1m., and its financial schemes are tailored to include secured or unsecured loans, preferred ordinary or ordinary shares, property and equipment leasing and plant hire. Its interest rates are *market rates,* and repayment terms are normally spread over periods of up to 20 years. The corporation places importance on compiling a financing package that will not place too severe a strain on the projected cash generation of its client companies.

ICFC has 18 branches in the U.K., grouped into four areas from London to Scotland. It is not the corporation's policy to interfere in the day-to-day management of a customer company or to obtain control of a customer's business. But there can be exceptions—for example where there is an obvious gap in the management strength an independent nominee director may be appointed to fill it. Still, only some 4 per cent. of the companies in which the corporation has so far invested have had an ICFC nominee of their Board.

The one area where *the* merchant banks have been especially busy of late has been in raising shareholder finance for its clients. In 1975 some £1.3bn. was raised by companies via rights issues of one form or another, and the trend looks like staying buoyant through the early part of 1976 at least. *Last year's* upsurge in the stock market was the driving force behind this trend, and the equity market opened up the new year with new share price peaks.

Jeffrey Brown

Export schemes welcomed

IT HAS been a fairly eventful year for export finance. A year in which industry has been agitating for more government help and a year in which it has at least got some response, if not total satisfaction. Above all it has been a year in which cost escalation cover and performance bonds have been the main topics for discussion and argument.

Almost 12 months ago Mr. Peter Shore, the Secretary of State for Trade, set the ball rolling when he announced two ECGD schemes to help British exporters compete in overseas markets. The first was the cost escalation insurance scheme to protect exporters from higher than expected manufacturing costs and so enable them to tender for the fixed price contracts demanded by buyers, especially in the Middle East.

Because they have been unable to recover from the full effects of inflation British contractors have been losing out to competitors such as the French, who have been getting this cover for some time, and to others such as the West German and American contractors who have not had the same rates of domestic inflation to contend with.

The same buyers also tend to insist on performance bonds. These are payable on demand and not necessarily because the seller has failed to fulfil his contract but simply, perhaps, because the buyer may have changed his mind on some detail or other. The sums involved are often large since the bonds are usually equivalent to anything from 5 to 10 per cent. of the contract total.

When approached, banks have to take into account a client's existing overdraft and other loan facilities, which under present economic conditions may well be fully stretched. In this case the company would have difficulty in raising the bond and as a result be unable to tender for the big contracts which Britain needs.

So last February the Government stepped in through the ECGD to guarantee performance and bid bonds which could not be raised in the usual commercial way. The bonds are still issued by the banks, but they no longer have to bear the risks involved—risks which can be very high when bonds are payable on demand by the buyer.

During its first year the ECGD guarantee has only been put to limited use supporting five contracts worth a little over £140m. But now that the minimum contract value has been reduced to £2m., from the original £20m. it is likely to be of more use to industry. Indeed there is a strong feeling in industry and banking circles that the minimum value should be reduced still further. Alternatively it is felt that the level of guarantee should be tied to a company's capital and reserves. The justification for this is that quite often—particularly in consultancy work—the individual contract may not be for a large sum but a contractor may wish to compete for several. True none of his actual capital may be tied up by the issuance of a bond provided it is not called, but his overdraft or borrowing facilities will be curtailed.

The ECGD's other, perhaps more controversial, scheme has also been slow to get off the ground. It is only after two changes to the original cost escalation scheme that the first policy has actually been signed. The scheme provides cover—at a premium of 1 per cent. of the total value of contracts of £2m. and over and a manufacturing period of two years or more. Under the original scheme the exporter or buyer had to bear the first 10 per cent. of any cost escalation. Then for the much-needed cash contracts the ECGD would cover 90 per cent. of the increase in any costs within a band of 15 per cent. above the minimum threshold and 85 per cent. within a band of 10 per cent. for credit business. The exporter also had the option of selecting a higher minimum threshold and still get the full band of ECGD cover.

But when it came to working out the details for actual contracts, manufacturers found that they would have to bear a much higher rate of cost inflation before gaining protection than was first thought. This led industry, through the CBI, to press for changes. On the one hand industry wanted the initial threshold lowered for contracts with shorter manufacturing periods, and on the other the upper limit removed to make the cover open-ended, like the much-praised French scheme, for the big contracts requiring a four to five year manufacturing period.

But despite lengthy discussions between the Government and industry no real changes were introduced until last December. In the meantime process plant contractors were said to have lost some £1bn. worth of overseas business because they could not compete on fixed price contracts. Some innovations were carried out in August changing the 90 and 85 per cent. of "eligible costs" covered to 75 and 70 per cent. respectively of "all costs excluding fixed costs." But this was largely administrative. It simply meant that costs increases did not have to be submitted in such detail.

By December Mr. Shore was ready to announce another package to help exporters. It included amendments to the all important cost-escalation scheme. He disclosed that the ECGD had been authorised to be more flexible in operating the scheme. The Government was not prepared to divulge the full details since it felt that this might encourage still more pressure on prices from overseas buyers. But it said that ECGD could in future now reduce somewhat the minimum threshold, and where exporters opted for thresholds above the original minimum it could widen its bands of cover. It would also enhance the incentives for cash exports.

Each policy has to be negotiated individually and, it seems, with a great deal of secrecy. Although one policy has actually been signed and the ECGD claims another eight, bringing the total level of business covered to £133m., are about to be concluded, with two letters of intent outstanding worth another £77m., details are hard to come by. But it seems that the new flexibility can be used to meet the two main changes which industry had asked for without giving the open-ended cover which would be far more expensive to provide. The French Government is known to have found its scheme very expensive to operate—some £150m. a year.

When announcing these improvements, Mr. Shore also revealed that the pre-shipment scheme was now freely available. Altogether some £130m. of these essentially overdraft facilities has been arranged and another 20 to 30 companies have applications in the pipeline, representing a further £250m. He also announced proposals for insuring members of consortium contracting overseas against the insolvency of a fellow member. The Government has since been discussing this scheme with the CBI and trade associations. An outline facility has been drawn up for covering 90 per cent. of the unavoidable losses on big consortium contracts, probably of £20m. or more. It should be ready for introduction within the next two months.

The Government expected industry to be "largely satisfied" with its new export package. And in fact it is, to the extent that any improvement on the previous conditions is welco[me]. But there are degrees of sa[tis]faction. Some contractors [say] it will make a great differe[nce] when they tender for contra[cts]. Others feel that it still has practical advantages.

Proposals

The CBI welcomes the proposals which it feels ar[e in] line with what was being sou[ght] by industry. But it points [out] "that the proof of the pud[ding] is in the eating," and it will [only] be when its members get d[own] to negotiating contracts [with] cost escalation cover that [a] real evaluation can be m[ade]. Ideally, it would still prefe[r an] open-ended scheme but [con]cedes that if the rate of i[nfla]tion continues to come down [this] may matter less in the f[uture]. It is also pleased [that] the limit has been reduced [on] performance bonds and an[tici]pates a good response to [the] consortium proposals.

Bankers feel the E[CGD] package is basically sound[, its] value depending very m[uch] on the use which indu[stry] makes of it. Speaking [to] several major manufacture[rs it] becomes obvious that indu[stry] itself has mixed feelings a[bout] it. Many will not be [con]vinced until they see s[ome] benefit accruing to themse[lves].

Margaret Hug[hes]

The factor and his client

DESPITE ALMOST two decades of gentle propaganda, factoring has yet to seize the imagination of British companies. Fewer than 2,000 organisations currently allow a factor to undertake their financial burden, although many more will have approached a factor and been turned down. For factors tend to be very particular about the clients they take on.

This is one reason for the relatively low level of assignments. Another remains the ignorance of the small company—the ideal subject for a factor's attention—as to what using a factor actually entails. A quick run down on a factor's services is still necessary, although there are variations between them.

In the first place a factor will take over the accounting function for a clent, sending out the invoices and chasing up the payments from customers. This enables a company to get on with the task of producing goods or services without having to worry about the cash situation.

Many factors (but not all) also cover their clients against bad debts. If the customer fails to pay the factor shoulders most of the burden. Finally, and perhaps of most importance these days, the factor is a source of finance, forwarding to a client up to 80 per cent. of the value of an invoice within a short period of receiving it. This keeps a company very liquid, enabling it to qualify for discounts, etc., through prompt cash payments.

Not all factors offer all these services — Alex Lawrie, for example, does not provide credit insurance—and not all clients want them. You can go to a factor for its accountancy help, or just for the certain flow of finance. The amount you pay is related to the tasks the factor performs.

In general you will pay somewhere between 1 and 2 per cent. of turnover to the factor or marginally more or less—it depends on how easy your business is to factor. A soundly financed company with regular, blue-chip customers will pay less than one with lots of small customers who make irregular payments. In addition to the service fee the factors charge around 3-4 per cent. above base rates for the financial service—the money they advance to clients.

There are complaints about factors. One of the most common is that the factor is not really prepared to take risks. It offers insurance against bad debts, but only covering those companies that are safe anyway—a factor may refuse it on the more doubtful customers. Then there is criticism of the cost of a factor for a service which a company with sensible accountancy controls ought to be able to manage itself.

Third there is a reluctance to allow an outside organisation to know so many financial secrets and have such power over a company's fortunes. Related to this is a doubt as to whether customers really like paying a factor rather than their traditional supplier, although factors always agree procedures with a client when it comes to pushing for payment of debts.

Perhaps the caution felt by some companies about factoring stems from the fact than many of the large factors are now owned by the clearing banks. For this reason clients try to ensure that their factor belongs to a different financial institution from their bank: they fear too much dependence on one ultimate source.

In practice the banks have yet to promote factoring to a great degree and do not confine their factors to dealing with banking customers. In all, in the U.K., not much more than £600m. worth of turnover is factored, and although this is basically a profitable operation the banks are moving cautiously. In the early days some factors got caught for bad debts and the memory has haunted the industry ever since.

Bad debts

Indeed, last year there were, not surprisingly, more bad debts than usual, and the whole level of business was down. In general 1975 was a no growth year for factoring, with the new clients hardly making up for the lower turnovers of existing clients. Bad debts, slower payments and fewer transactions, affected profits, but the factors, who naturally are very close to the grass roots health of industry, already report a more optimistic air in 1976, with higher turnover and more new inquiries, as far sighted companies employ a factor to cover their financial rear while they concentrate on expanding production.

Factors can afford to be selective and only work for organisations that they believe will profitably grow. They work in numerous fields, with a bias towards engineering and textiles, and some tend to specialise, but as long as a business has a fairly regular trading pat[tern] the factors will be intere[sted]. They can also offer a si[milar] service covering exports, [so] that selling abroad is no [more a] problem for a company selling within the U.K. [The] factor shoulders the risk, l[ooks] after the currency comp[lica]tions, and will also advise [on] the financial reputation [of] potential overseas custome[rs].

For factors, both in the [U.K.] and abroad, have their fi[nger] very close to the economic p[ulse] and they can usually qui[ckly] spot a customer that is fa[cing] problems. They may be caut[ious] in the credit rating they a[llow] to buyers of their clients' g[oods] or services, but at least [this] avoids a cash crisis.

Factoring, like most o[ther] services, works better v[when] there is a good human rela[tion]ship with a client, so an[y] interested is well advise[d to] talk to a few factors to disc[over] which has most involvemen[t in] its industry, seems most [per]sonally sympathetic, and o[ffers] the keenest price. An e[ntre]preneur need not be put o[ff if] his turnover is curr[ently] £100,000 a year or less, be[cause] a factor's main concern is [the] prospect for expansion.

For larger companies a f[actor] may be very useful in ho[lding] the hand of a division whi[ch is] going into exports for the [first] time. Although the U.K. [fac]tors have links with fo[reign] factors this aspect of their [busi]ness has not grown as ra[pidly] as anticipated. On the e[xport] side most clients want se[rvice] at home the finance is [the] major attraction.

Antony Thorn[cro]ft

Growing interest in leasing

THE CONSIDERABLE growth in leasing activity over the last few years, despite the U.K.'s adverse economic and financial circumstances, confirms that the two previous barriers to this form of finance, ignorance and resistance to the idea of not actually owning capital equipment, have now largely been overcome.

In a way, the financial difficulties which virtually the whole of British industry has experienced over the last couple of years have provided a boost to the industry, since cash flow shortages have sent finance directors searching far and wide for funds. Although leasing has well-defined financial advantages in terms of keeping other resources intact and enabling accurate projections of cash flow, it has in many cases emerged as a "last resort" means of finance. However, leasing is now estimated to account for 7 per cent. of all capital expenditure in the U.K., and its importance in an economy whose perennial problem is lack of investment has been recognised by industry and Government alike.

One of the great advantages of leasing is its flexibility, and there has been significant growth over the last few years in "service leases." — for example in vehicle fleets—where the financial aspects of the deal are complemented by management services, spares, replacement vehicles, etc.

The big four clearing banks all have large leasing subsidiaries as do the major merchant banks and the finance houses. There are also a number of specialist leasing concerns who can offer highly specialised services over a limited range of assets, such as office equipment.

The fundamental difference between leasing and other forms of finance, such as rights issues, fixed interest debentures or bank loans, is that it is a specific piece of equipment, rather than the money, which is "borrowed." A company, for example, will approach a leasing concern when it needs a piece of plant or machinery. The lessor will then purchase the equipment, in return for which the lessee will make a series of rental payments. The fact that deals are closely linked to certain types of equipment has meant that many manufacturing companies, for example in the motor industry, plant hire and fork lift truck businesses, have set up leasing subsidiaries with the aid of a finance house as a marketing aid to their sales and an additional service to their customers.

There are two fundamental types of lease: the primary, or "full pay out" lease, and the secondary, or "operating" lease. Under the full pay out lease, as its name implies, the lessor recovers his capital and interest charges, and his profit element, within the period of the lease, and does not have to rely on re-leasing for his profit. It is customary for the lessor to leave the capital goods with the lessee once the primary period is over and to charge him a peppercorn rental. The operating lease runs for a shorter period, during which the lessor does not recover all his costs. This means that he has to rely on a re-lease, either to the same lessee or another, for his profits.

Allowances

The key feature about the lessor continuing to retain ownership of goods although he is not using them means that he can claim the capital allowances and grants accruing to a particular piece of equipment and can reflect these in lower rentals. The other side of the coin is that the lessee has no allowances or grants and has to enter this into his equation of the cost of the lease. Under a tax system such as our own, with 100 per cent. first-year allowances available on capital expenditure, the ideal leasing situation is one in which the leasing company has plenty of spare cash and taxable profits while the lessee is short of cash and has no profits (although he expects to earn them).

In this situation, the cash and tax allowance-rich lessor can make his cash available while also gaining the benefits of allowances to set off against his profits, as well as any grants. The lessee can gain the advantage of tax allowances—which he would not, initially at least, have been able to do—reflected in the lower rentals which he is required to pay. The tax aspect tends to have been stressed less over the last year or two as a great deal of capital cover has disappeared along with profits. However, it remains true that leasing flourishes in countries such as the U.S., France and Germany despite the absence of such generous tax allowances. Leasing's growth in the U.K. in recent years seems to indicate that there is a rosy future for it as long as the fiscal environment remains anything but hostile.

The Equipment Leasing Association, whose members account for around 90 per cent. of the leased assets in the U.K., has produced figures which more than amply demonstrate the growth of leasing in this country over the last four or five years. Leasing rentals in 1974 were a massive £222m., twice the level of those in 1972 and almost three times the level of 1971. Leased assets on the books of the association's members in 1974 comfortably topped the £1bn. mark, compared with £783m. in the previous year and figures of £516m. and £402. for 1972 and 1971 respectively. Net receivables jumped from £284m. in 1971 to £716m. in 1974.

Although the experiences of the last few years indicate that leasing has a future even without such highly advantageous tax allowances as exist at the moment, the industry has had to fight hard to ensure that it does not suffer adverse side effects from aspects of tax and consumer legislation which were never intended to touch it. If the Government is as keen on increasing capital investment as it claims then there is a prima facie case for continuing to treat leasing as a special case and thus ensuring its future growth.

Peter Foster

مكتب الأصل

Credit arrangements

I THAT manufacturing ry is currently bumping in the depths of one of orst recessions in living y and that the finance are also just emerging he terrible effects of the e banking" crisis, it is able to ask whether the nent credit companies any cash to lend and er industry can afford it case.

of the answer can be in the official statistics. ling to the Department of ry, new instalment credit ed by the Finance Houses e provision of "industrial uilding plant and equip-" stood at the end of nber at £12.2m. This was own, both as a percentage credit outstanding and as ual sum, on the figure at ame time in 1974. In nber 1974 the "industrial" extended by the finance stood at £13.1m., and mount was 13.1 per cent. credit outstanding. The nber, 1975 total was only er cent. of outstanding

s drop in cash borrowed by industry had much more to do with the state of manufacturing industry than with any shortage of cash at the finance houses. Even when deposits failed to arrive because of the banking industry's problems, the instalment credit concerns could count on a regular income as individuals and companies paid back the sums outstanding on existing loans. This adds up to a considerable total ready to be "rolled-over." At the same time, the steep drop in demand for consumer goods and cars—those products for which most hire-purchase cash is used—meant that the finance houses were not being called on to stretch themselves in this part of the market, traditionally the most important sector for them.

At the end of September the finance houses also had £16m. of new instalment credit extended in respect of commercial vehicles — this representing another, but special, way in which the instalment credit organisations provide vital funds for industry.

Finance houses, in the main, confine their activities to the provision of funds on a medium-term basis for the financing of certain types of fixed assets. Only very occasionally does any of them stray into long-term lending.

But, as United Dominions Trust points out in its booklet "Industrial Investment and the Finance House," just published, every year British industry and commerce spends more than £12bn. on fixed assets—buildings, plant and machinery, vehicles, fixtures and fittings. "This is a mammoth market and although the finance houses operate in only part of that market, namely in the medium-term financing of plant and machinery and vehicles, and although there are other suppliers of funds, it is still true to say that the scope for finance houses is virtually unlimited," says UDT.

Any creditworthy business can qualify for funds from the finance houses—be it sole trader, partnership, private company, public company, local authority, government department or nationalised industry.

By "creditworthy" the finance houses mean: first, that the potential borrower has a track record of sound trading, good management, and a balanced capital structure; and second, that the investment to be financed entails a commitment which is within the borrower's capacity to repay — in other words, that he has done his sums before arriving at the decision to invest.

As UDT admits, finance houses rarely become involved in the financing of major building projects such as factories and office blocks because the amounts involved and the life-span of the asset make it more appropriate for the project to be paid for over a period of 20 years or more, a period much longer than that which a finance house would normally wish to offer.

Suitable

However, almost any other type of fixed asset is suitable—any item which is not expendable in the short term can be made the subject of an agreement. The only restrictions are that the goods should be: (1) easily identifiable (that is not components of a larger installation or part of a stock of unidentifiable spare parts); (2) have a useful working life, at least as long as the period of the agreement; (3) can be sold: and (4) have a high earning potential, direct or indirect.

Finance house facilities are not meant to compete with banking facilities, particularly not with overdrafts which are intended to supplement working capital. Nor are finance-house funds intended to provide long-term or permanent capital. But the finance houses offer a number of ways in which an industrial borrower can raise cash for fixed assets. There is hire purchase, leasing, contract hire and short- and medium-term loans. The greater part of finance-house lending to industry and commerce is by hire purchase or leasing.

The decision as to which is the better method depends to a great extent on the borrower's tax position. For tax purposes the user of goods which are the subject of a hire purchase agreement is treated as if he were the outright owner from the moment he makes the down payment. This means he is eligible for the whole of the 100 per cent. first year allowance (or, in the case of passenger cars, the 25 per cent. annual writing-down allowance) as if he had bought outright for cash.

In addition, if the goods qualify for a regional development grant, it will be paid in full just as if the user had bought the goods outright.

Finally, the interest element paid under a hire purchase contract is allowable against earnings before tax.

The arrangements under a lease contract are entirely different. In a lease, the lessor (the finance house that is) being the owner is eligible for both capital allowances and regional development grants. It may take all or part of the benefits of these into account when calculating the rentals to be charged. The lessee (that is the user) will never become the owner, cannot claim either allowances or grants but can treat all rentals as a trading expense and deduct them from earnings before arriving at his taxable amount of profit.

So the decision to buy by hire purchase or to lease depends to a large extent on the borrower's tax position. If the borrower can take immediate advantage of the capital allowances available then hire purchase would suit him better. If he is short on taxable profits both in his financial year of acquisition and in the three previous years (he is allowed to "carry back" the unused first year allowances for that period), then it will probably pay him to lease.

The UDT booklet, when outlining the benefits claimed for finance house cash, stresses the flexibility involved. The customer's commitment to repay can be tailored to fit as nearly as possible the peaks and troughs of his anticipated cash-flow. Variations on the normal patterns of repayment include: "seasonal repayments," such as would suit a farmer paying for a combine harvester that generates large earnings when the crops are sold but nothing for the rest of the year: "skip payments" for the contractor who knows from experience that he will be unable to operate his plant in the winter months of, say, November to January: "accelerated payments" for the commercial vehicle operator who would like to make large payments at the beginning of a contract, when maintenance costs are low, and low payments to the finance house when the vehicle is older and more costly to maintain: "decelerated payments" for the period of running-in of a machine before production has started: and "balloon payments" for use in contracts in which the goods have a high residual value.

Medium

Instalment credit is used by companies of all types, from among the top ten biggest in the U.K. right down to the little jobbing builder. But, as might be expected, it is the medium-sized concerns which turn to it more often. Transactions usually range from £10,000 to £100,000 and there have been some seven-figure advances. The finance houses are not keen to get involved in very small advances because these are just as expensive to service as the bigger ones.

Once upon a time the majority of industrial instalment credit agreements were made at a fixed rate of interest. But a substantial proportion is now related to moving interest rates. Mainly responsible for the change has been the Finance Houses Association base rate. This was originally introduced to give a true and flexible interest rate for industrial and commercial customers at a time when the U.K. had an official "Bank rate" and that rate often did not provide a very accurate indicator of the true cost of money. The FHA base rate is calculated monthly by reference to the inter-bank three-month rate.

Customers are offered two methods of repayment using the FHA rate. In the first, capital repayments are calculated and then interest is worked out on a day-to-day basis and paid (probably) quarterly in arrears. This means that interest is paid on a reducing capital sum. The other method is for the agreement to cover an estimated total cost (based on the current FHA rate) and for debit or credit adjustments to be made when it comes to an end.

To-day many leading companies use hire purchase or leasing, and the finance houses have become a major source of finance. The finance houses insist that their importance will increase with the realisation that, in to-day's circumstances, there are advantages for the industrial borrower not to be too dependent on a single source of funds.

Kenneth Gooding

Smaller companies

TERM "smaller company" precise definition, and to ent people—and, more cally, to the various ories of City institution—it mean totally different . The traditional merchant engaged in the business k or venture capital does ppear to be interested in ipating unless the ny in question generates x profits of at least 0 per annum. The bank also want to advance a sizeable sum, the average of the order of £100,000-000.

e Industrial and Commer- Finance Corporation, ed by the clearing banks the Bank of England, and h currently has over 2,300 anies on its books, will be ared to look at smaller sitions. And the clearing s will help out on the really sums, but on a straight ng, fixed rate basis rather the medium-term finance quity capital provided by enture capital operators.

ere are fundamental differs in approach between the us factions. The merchant , for example, will not only a company to be earning east £25,000—it will also to see two or three years oven track record. Perhaps important, it will be look- for situations where a com- lends itself to vigorous nsion in a short space of . Most merchant banks like ake a five-year view, or n at maximum, and will t to move as far and as fast ossible in order to achieve pital profit either by selling company to a larger group by bringing it to the market. is way the banks' portfolios be turned over rapidly at t profit. And failing that, bank will want a high rate ncome to compensate for its

Conditions

erchant banks are not norm- in the straight lending busi- s and in venture capital they insist on two conditions: that they take a substan- holding—normally 25-30 per t.—but not control, and, ond, they will reserve the t (usually exercised) to put ir own man on the Board.

he recent economic climate limited the opportunities the merchant banks. The el at which a company can ne to the market has risen nificantly and whereas it was sible to introduce a company h pre-tax profits of the order £250,000, perhaps even less the record was good, the neral consensus indicates a ure of nearer £1m. at the ment. This is mainly because only investors likely to be erested at the moment are institutions—since private estors are still, despite the rket's rise, nursing substan- l losses—and they are only erested when they can com- it a sizeable sum to a market- le stock.

The second "must" for being floated" is a first-class profit cord. And with the industrial cession these cases are likely be few and far between at e moment.

A further limitation has been posed by the banks' past vestments. Companies backed, y, four years ago in the palmy ays of 1972, with every prosect at the time of a rosy ture and a brilliant market troduction, have been endered too small or too weak y circumstances. The banks are, therefore, effectively locked into situations, preventing them from turning their money over in the usual manner. The only release is if a kindly big brother can be persuaded to take the smaller company off of the bank's hands either by a full bid or by buying the shareholding. In a few isolated cases the banks have had to pour more money in to ensure that they do eventually get their original money out.

The final restriction has been the attitude of the smaller businessman himself. The good companies are probably in a position to receive adequate short-term finance from the clearing banks. And more fundamentally, there is evidence to suggest that the private entrepreneur is less willing to part with equity, and is still less bothered by the dream of some-day obtaining a Stock Exchange quotation. His current desire is (a) comfort, (b) a good income, and (c) the freedom to control his own affairs.

Largest

By far the largest force in the field is ICFC, and here the approach is rather more relaxed than the merchant banks'. The criteria for investment are less difficult to meet and clients tend to be those who have been turned away by the merchant banks or, alternatively, those who do not wish to trade funds for their own freedom. The ICFC prides itself that it will either lend money and/or take equity participation, but then leave the company alone unless asked for advice. Its approach is much more heavily weighted against lending than equity participation, and the amounts may vary from £5,000 to £1m.

There are a number of other forces in the field looking after the various requirements of the smaller business. Apart from the clearing banks and a whole batch of merchant banks of varying nature, there are Estate Duties Investment Trust (EDITH)—which is second in size to ICFC—Gresham Trust and the Small Business Capital Fund.

It is likely that all those servicing this area are going to have to face up to a new and severe problem—the introduction of Capital Transfer Tax. The effects of CTT, which can at best be deferred and more usually merely provided for, are going to hit the smaller business particularly hard. Many private companies will be forced to sell off part of their equity in order to meet this new threat. However, so far there appears to have been a great deal of talk and not a lot of action.

But to return to the more immediate question of whether the right facilities really are readily available to the smaller company, this is still the subject of debate. Certainly the Smaller Businesses Association would claim that, despite what the banks say publicly, the reality is quite different.

It is certainly true that the growth company will always receive the right amount of attention—and even then it has to be big enough and with a sufficient record to keep the risks down to a minimum. The sound small company, with a good history but non-growth, still has a problem on its hands.

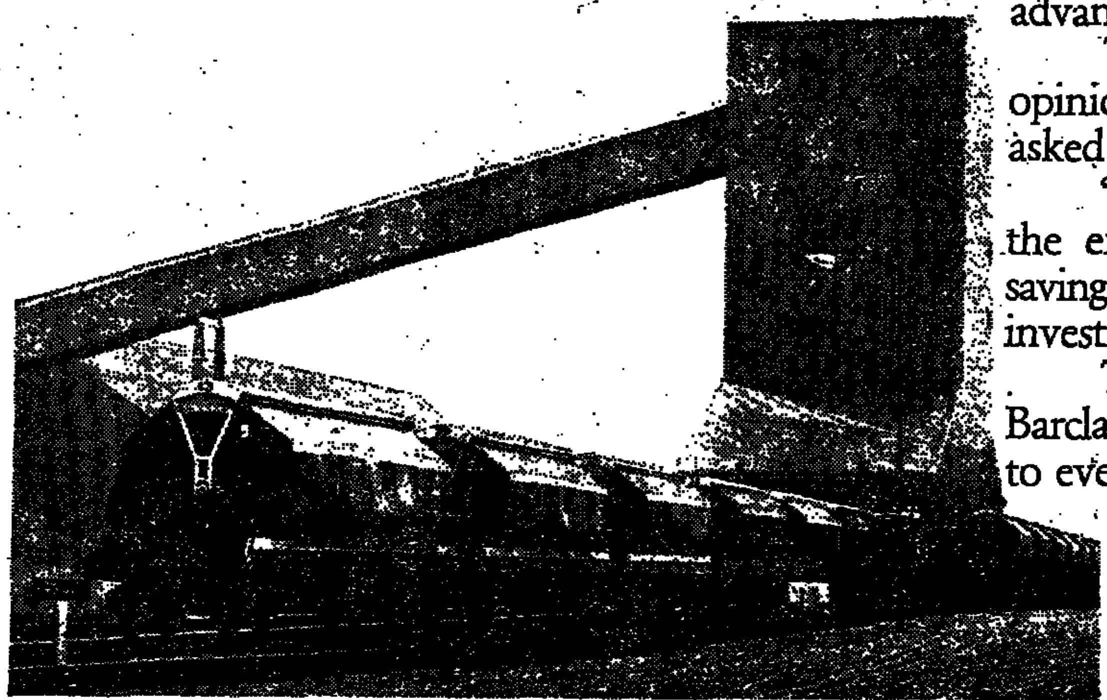
Keith Lewis

WOULD BRITISH INDUSTRY BE HEALTHIER TAKING MONEY OUT OF THE BANK, NOT PUTTING IT IN?

The TUC and CBI seem to think so.

Repeatedly they've issued warnings about under-investment.

Their fear is that when the recovery of world trade that we've been hoping and praying for arrives, Britain will be in no shape to take advantage of it.



An £18 million Medium Term Loan to Cleveland Potash will help turn Britain into a net exporter of potash.

The Bank of England's of the same opinion. And in its circular last year asked Banks to:

"....direct advances towards the expansion of exports, the saving of imports and industrial investments."

This doesn't mean that we at Barclays are going to hand out money to everyone who comes knocking on our door.

The country won't get anywhere by throwing good money after bad.

We must pin our hopes and hard cash on successful but under-invested firms.

We must put them in a position where they can win home markets; sell against other countries on world markets; compete with the French, Germans and Americans for overseas contracts.

In a year Swel Foods' Boston Factory has more than doubled production of dried vegetables by taking a £150,000 Medium Term Loan over 5 years for a new drier.

Understandably, before parting with large sums of money, we'll need to ask a few questions of even the most successful firms.

We'll want to talk about your plans for the future, as well as getting a feel of the way you do business.

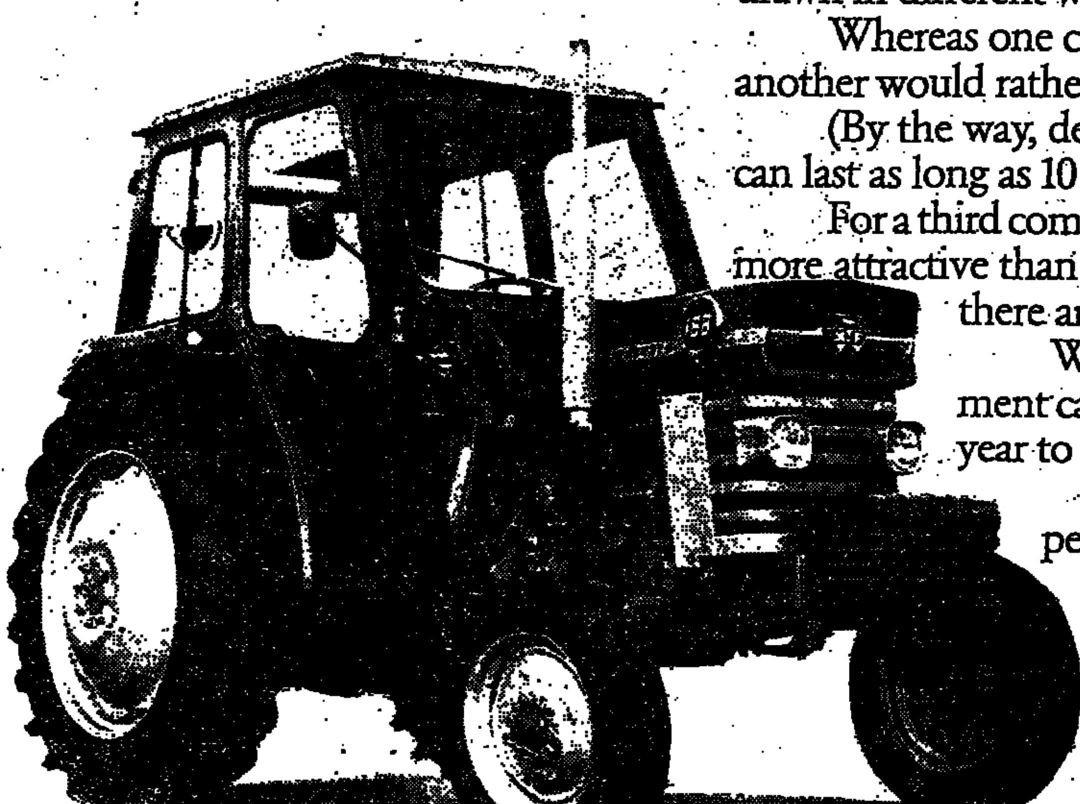
If you've been making full use of our banking services, we'll already have a good idea of your cash and tax position. All of which will pin-point the kind of backing you need.

For instance, a Medium Term Loan for capital investment can be drawn in different ways.

Whereas one company would prefer it as a lump sum, another would rather draw it in instalments.

(By the way, despite the name, a Medium Term Loan can last as long as 10 years.)

For a third company, the bank's leasing facilities may be more attractive than a loan. Working capital is released and there are often tax advantages.



Massey Ferguson Perkins Ltd, has gained a £170 million contract. The Polish buyer was helped by Barclays with sterling and currency syndicated loans, repayable over several years.

With all these schemes the terms of repayment can be constant, or vary season to season, year to year to suit your cash flow.

Sometimes payments can be suspended until you are benefiting fully from the investment. And in certain cases, you can repay the entire loan at the end of the period.

If you sell abroad, we can be of still more help.

To encourage foreign customers to place orders with you, we can provide them with a loan through Barclays Bank International. It's a useful way to expand established markets quite apart from opening up new ones.

Having done that, we can often protect you against exchange rate fluctuations by selling foreign currency for you in advance.

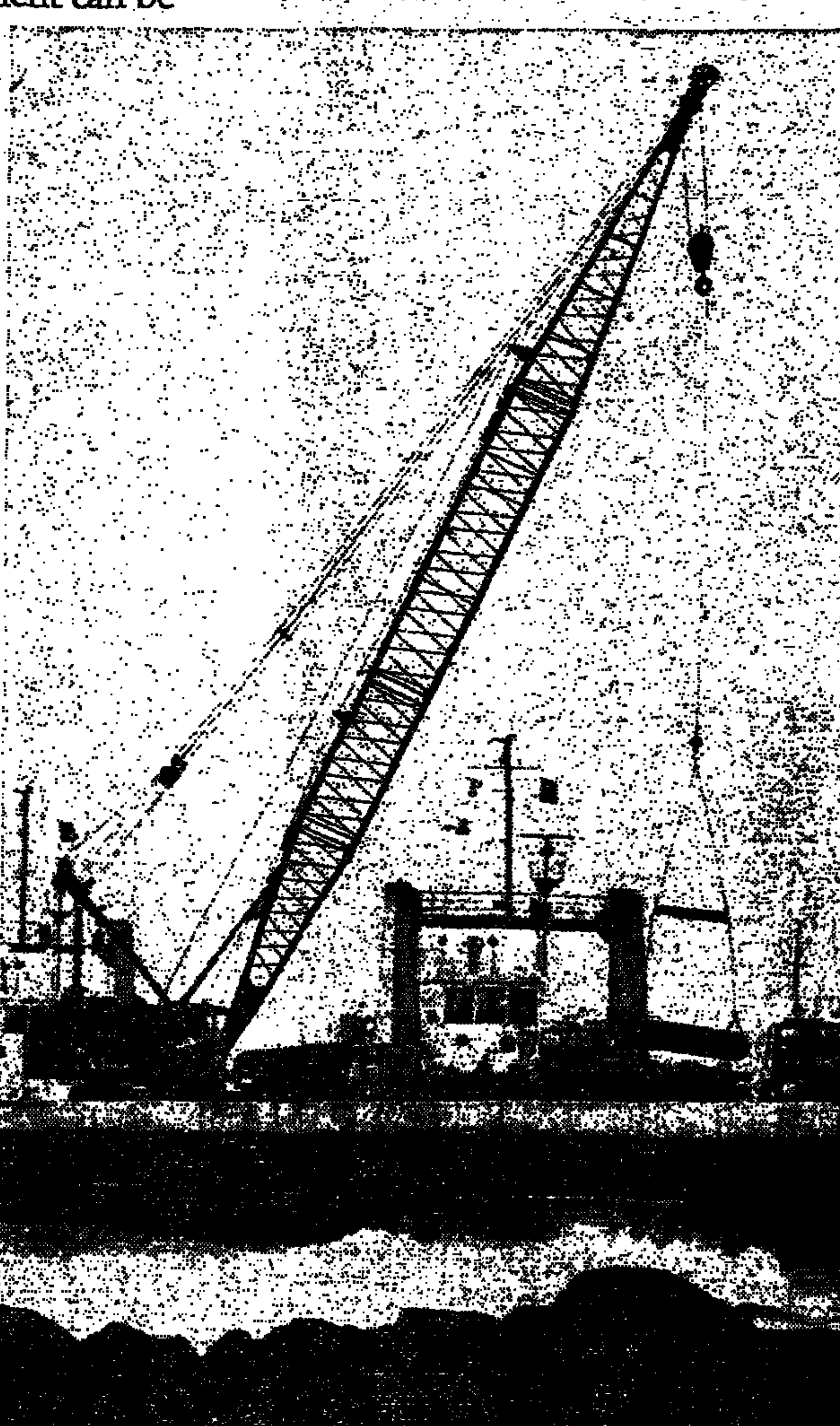
We provide this protection for companies that buy abroad as well. Whether they import finished goods or raw materials.

But no matter what backing or help is needed, the first step is always the same.

Arrange a meeting with your local Barclays Bank Manager.

He knows there's truth in the old adage; it takes money to make money.

BARCLAYS



B.O.C. International is leasing a new £220,000 crane for 7 years through Barclays Bank. Oil pipe and heavy goods handling efficiency has increased by 30%.

هكذا صح الأصل

Ensuring a fair deal for borrowers

Michael Blanden describes the ramifications of the new credit rules

THE start of its national ising campaign, the Office r Trading is now getting ll stride with implement- he regulations of the ner Credit Act of 1974. esult, it is being generally it home that the new have a very wide scope. le range of people such mbers of the professions, traders and others in- with consumer credit are ng that they are likely to cted by the new licensing ions and by the further ant developments that llow.

jor exercise

licensing itself, described of the largest peacetime ions of its kind ever aken in the U.K., is being in stages over a period ng to the end of next year. rst is due to begin early nonth and the OFT, under hn Methven, its director l, is already getting a erable number of ies as a result of the pub- which has been given to w provisions. The task ing an estimated total of 100,000 licences and ng that the holders are carry out a business to the provision of con- credit, is in itself a major se.

s operation, however, is the first of three major s although it has taken longer to get things g than had been hoped. riginal proposals were put d nearly five years ago e Crowther Committee, since their main points embodied in the legisla- has become increasingly that the complexities of w rules required a great f thought.

nulating the regulations which will be laid down by the Department of Prices and Consumer Protection and enforced by the OFT has required extensive discussion with the main groups affected, including particularly the banks and finance houses which form a large part of the consumer credit market. The Act, which in many ways is simply enabling legislation, gives wide discretion to the authorities in ensuring that its basic purposes are met, and many of the rules are still in the process of being formed.

Nevertheless, the further stages of implementing the Act are those which will make the biggest impact on the major lenders and will bring the aims and significance of the new rules home directly to the general public. As a result, the consumer borrower will in general have access to a considerably greater range of information about his borrowings and protection from being cheated, and the opportunity—if he chooses to take advantage of it—to make a more rational choice between the various sources of finance available.

The next main stage could start early this summer, and will concern the central "truth-in-lending" provisions of the Act. These will ensure that a borrower knows exactly how much a loan is costing him, including the effective true rate of interest being charged. They will set out rules covering advertisements for credit and the provision of quotations to potential borrowers, as well as other items such as the regulations protecting borrowers against extortionate credit terms.

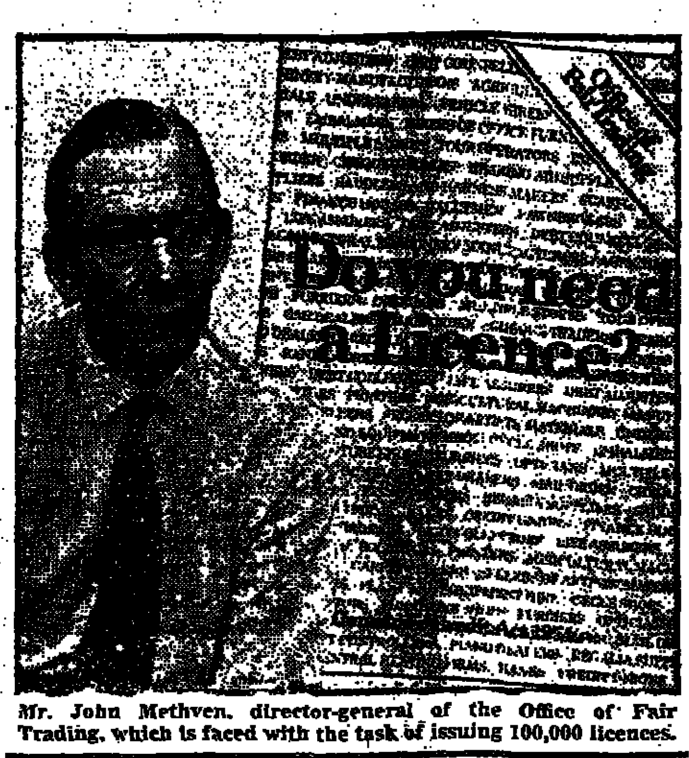
Some of these new rules are likely to come into effect almost immediately but others, including the complex advertising standards which are required to cover a very wide range of different types of business, from banks to the High Street shops, are expected to be phased in over a period of a few months. By about late autumn, nevertheless, it is probable that these important rules will be in force generally.

Cooling off

The final main stage is unlikely to be reached much before the end of this year, and it will be well into next year before the regulations in this area are finally in force. This stage will concern the important documentation provisions of the Act, ensuring that borrowers covered by the legislation are provided with copies of any agreements that are made. These regulations will also include other significant provisions such as the availability of a "cooling-off" period for agreements signed in the borower's home to give borrowers a chance to think again and rebates for early settlement of debts. In a significant innovation, the consumer will be able to claim against the lender as well as the retailer for defective goods where the lender has a direct business link with the dealer, so that if a garage arranges a loan for the purchase of a new car, the borrower will be able to sue the finance house which lent the money if the vehicle goes wrong.

These rules will come into full operation over a period of time simply because of the physical problems involved for banks and finance houses, for example, in the necessary reprinting of all the forms and documents involved to comply with the regulations. In some areas the big lenders foresee some problems developing.

There is no fundamental disagreement over the purpose of the legislation, which is basically very simple—to ensure a fair deal for consumer borrowers. It has support from both major political parties, and the banks and finance houses accept the basic aim and the extensive improvements implied in the structure of consumer lending. The end result should be a much better-informed and protected consumer public. But at present, lenders and others involved in consumer credit are anxious over the uncertainty which still obtains about much of the new regulations which will affect their business, and both banks and finance houses have their particular preoccupations about its impact on their activities.



Mr. John Methven, director-general of the Office of Fair Trading, which is faced with the task of issuing 100,000 licences.

The clearing banks, in particular, have taken some time to reconcile themselves to the idea that they will be directly affected. Some bankers still feel that they should be exempt from the provisions of the new legislation. They maintain that the requirements fail to take account of the special relationship between a long-established bank customer and his branch manager, and the advantages of flexibility and cheapness in loan operations which this makes possible. It is argued that the result of the Act will be in many cases to provide the customer with a lot of extra documentation which he neither needs nor wants, to increase the cost to the bank of making loans and perhaps as a result to raise the cost to the customer himself.

Relaxation

In one major area the banks have achieved a relaxation. It has been clear throughout that it was not the intention of the authorities to knock the overdraft which, it is recognised, has major advantages for the borrower. But applying the full formalities of the new rules to this system would effectively have prevented it from being used in its traditional way. It its now known, however, that the OFT is to make a determination, as it can under the Act, designed to exempt the overdraft from the more onerous provisions.

This in itself is not easy, since to provide general definition of an overdraft or a current account would be out of the question and the office has to ensure that in allowing this much leeway it does not open the door to extensive avoidance of the provisions. It is planned that the determination will be put in such a way as to allow continued use of the overdraft in a relatively informal way in circumstances where flexibility and speed are vital to its usefulness—retaining, for example, the ability of an established customer to arrange a facility quickly, perhaps over the telephone, when he needs funds at short notice.

The banks will be affected like other lenders in many aspects of their activities, in relation to their advertising, the licensing provisions and truth-in-lendng which raises problems both for them and for finance houses in relation to ancillary charges on some loans. It is perhaps the documentation which will be required, however, which is causing some of the biggest headaches, together with some issues relating to the taking of security. There are considerable areas of uncertainty remaining on some of these issues.

It is clear, however, that there will have to be extensive adaptation of the forms and agreements at present in use and changes to the established computer programmes in the banking system. And bankers are concerned about some details of the rules which appear in some cases to require what they regard as an excessive amount of documentation—one example is provided by the land mortgage, where it is variously reckoned that up to 17 separate documents could be required in certain circumstances and most of these would have to be sent to the borrowers.

The finance houses, already governed by the Hire Purchase Acts which the new legislation supersedes, are perhaps more accustomed to extensive documentation and less worried about its implications, though the new rules will extend the requirements which they have to meet. Potentially, also, the liability they will carry for the quality of goods sold on "debtor-creditor-supplier" agreements could be onerous in some circumstances—particularly perhaps for items such as central heating installations where credit runs for longer periods and faults may be found some time after the initial agreement.

Legal fees

Much of the energy of the finance houses, however, has been devoted to the problems of the "truth-in-lending" regulations and the details of calculating true interest rates. The concept is not new to them—finance houses will tell a customer a true rate of interest as well as the flat rate which is the normal basis for quotations. But under the regulations all borrowers will have to be told this rate (which is normally nearly double the equivalent flat rate) and the figure given will have to be right in terms of the detailed provisions of the Act.

The problem is relatively simple if it is a matter just of converting a flat rate to a true one, though the banks may have some slight difficulties where overdraft facilities are involved which may not be used to their full limit. But it becomes more complicated where ancillary charges are involved — for example, flat fees for setting up the loan or charges such as surveyors' or legal fees. In some cases, the charge may not be easily quantifiable in advance. To arrive at a true rate, it is necessary to add the fee into the total charge for the credit before making the conversion.

Retail outlets

Issues of this kind are of concern directly to the lenders themselves. It is when the implications of the legislation for the mass of lenders and High Street traders and for the general public come into consideration, however, that some further difficulties of potential importance appear. The finance houses, for example, could be concerned over the problems faced by the retail outlets with which they have links, particularly the garages. Even now, it it reported, as much as 10 per cent. of agreements have to go back because they have been wrongly filled in.

Finally, the retailers themselves and all others directly involved with the general public, including particularly those such as bank managers who are in a position to know the rules in detail, have a major role to play in getting the significance of these rules over to the borrower. Clearly there will be some difficulties in implementing the rules, though none of them is likely to prove insuperable: and there will be scope to learn from experience as the rules are implemented. But all this effort will serve little purpose unless the consumer himself knows about the protection he is being offered and is equipped to make use of the information available.

Letters to the Editor

ccounting for rect labour

The Head of Research, for Freedom and rise.

—Mr. Richard Balfe, chair- of the Greater London il housing development ittee, states "Private con- rs should not cower in the r at the prospect of an sion of direct labour ties but accept the chal- of competition" (Fair lations for building council etition, January 21). He on to speak of all con- rs (presumably including labour) being placed on ly the same footing.

s is the nub of the prob- The recent report from public accountants profes- l organisation has shown many changes need to be in local government nting for direct labour if cipal building operations o be compared with those ilding firms. These ought carried out and practised ome years before there is hought of local authorities ng public money in com- ial ventures.

en more to the point, are authorities capable of rtaking these ventures? The is pointing out that some ling firms undertake hous- construction without profit, ven at a loss, in times of ession in order to keep their nisation in being. They t to recoup their costs in times, and the public s a long-run benefit. How direct labour be made to ate in this way, without the ability of disguised sub- s and unreal competition at the top and the bottom e market?

e GLC says that direct labour be required to break even, ng one year with another. sn't this just the yardstick onalised industries failed to for so many years? And it not in any case been long arded as a guide to com- ive efficiency?

nother housing chairman, in astle, declared only a few ths ago "if private con- tors can't compete, that's r problem." His direct our department obtained its t large job in competition. months later the council k the job away because of bts about the department's lity to carry it out. The artment's price contained ithmetical errors," the coun- explained. The chairman has v resigned.

lcolm Hoppe.
Plough Place.
tter Lane, E.C.4.

The virtues of small firms

om The Director ntre for Innovation and oductivity, effield Polytechnic

Sir,—Congratulations to John rgent (The Executive's World, nuary 21) for preaching the erits of small firms whose rtues I and others have been vocating for many years. Un- rtunately, it seems that the isdom of "stay-small" has not t penetrated the minds of ose who plan our national in- strial strategy. Last year, more all firms went into liquidation an ever before yet several dustrial giants were saved from similar fate by colossal bsidies.

It goes unrecognised that one of the major differences between Britain and other industrialised nations is that we have by far the highest concentration of employment in large organisations. And because we no longer reward success and penalise failure, some of these huge companies and massive public services have failed to adapt themselves to the rapidly changing world. Thus we now have gross overmanning in some industries, low productivity and overpaid employees.

Unlike Germany, Japan, Norway and others, Britain does little or nothing to foster new enterprises and stimulate the small firm sector. It is perhaps typical of present attitudes that under the Training Opportunities Scheme (TOPS) redundant managers can be trained for new employment but not to start their own business. Most of our management education resources are devoted to training managers to operate in large organisations but then, few management teachers have experience in small firms. Both the Government and the financial institutions are, understandably, more willing to back established large companies than new enterprises, some of which may fail but others could be to-morrow's breadwinners.

The British economy is in a worse tangle than the Gordian knot. We need not one but many Alexanders to cut away the shackles that are preventing good managers from managing. The energy and initiative manifest in industrial unrest must be directed to new, creative endeavour that will raise the standard of living and solve the balance of payments problem. A start could be made by breaking up some of the unnecessarily large organisations into more manageable units that can stand on their own feet. This is the right road to productive full employment.

E. G. Wood.
Halfords House,
16 Fitzalan Square,
Sheffield.

Uncertain bonanza

From Dr. D. Wood.

Sir,—Mr. Newton Jones (January 21) is right to express his alarm at the prospect of a $7 a barrel minimum import price for oil. Fortunately the disastrous consequences of any such policy will soon become clear even to Mr. Callaghan and his advisers. While if world oil prices fell to $4 the $7 minimum would ensure a healthy oil industry, it would equally certainly lead to the total collapse of the international competitiveness of every downstream industry relying on oil-derived inputs or energy. Unless Mr. Callaghan intends to violate our EEC and GATT undertakings by imposing an elaborate structure of import surcharges and export rebates related to oil content and fluctuating with world oil prices, this loss of competitiveness could only be overcome by a large devaluation.

What is more disturbing is that Mr. Callaghan's willingness to exhaust the goodwill of our EEC partners in his pursuit of the ill-conceived $7 level suggests that there is little or no strategic thinking behind our oil policy.

The assumption seems to be that the earlier extraction starts and the faster it proceeds the better. This totally ignores the existence of the oil weapon and the undiminished strength of the OPEC cartel. Instead of being dissipated in the shortest possible time Britain's oil reserves could be used to provide a strategic reserve for Europe that would guarantee self-sufficiency for up to two years in the event of any future interruption in supplies. The prospect of leaving the oil intact and collecting insurance premiums from the EEC against our ability to produce is surely more attractive than the alternative under current policy of 4 or 5 bonanza years followed by an uncertain future.

Dr. D. Wood.
Senior Lecturer in Economics,
Manchester Business School.
University of Manchester,
Booth Street West,
Manchester.

Minimum price for oil

From The Associate Editor Energy Intelligence

Sir,—Newton Jones (January 21) challenges any reader to justify Britain's attempt to obtain a minimum price for oil, along with other major consuming countries.

During the winter of 1973-74 the Arab producers were able to substantially raise prices and to threaten to cut off supplies to countries, like Britain, heavily dependent on crude oil imports. The answer, obviously, is to develop alternative sources. For many countries this is not possible. For Britain it is, as North Sea oil waits to be exploited.

But North Sea oil is expensive to produce. Foreign Secretary James Callaghan told the International Energy Agency at a meeting held in Paris last May that Britain would be investing £3.5bn. a year over the next 15 years to develop North Sea reserves. One cannot expect private companies or government oil companies to commit such large sums unless they know the projects are long-term ones and commercially viable.

We have already seen the benefits. If we were not getting our present supplies of North Sea gas we should have to spend about another £1bn. a year on buying foreign oil. A Department of Energy fact sheet published last summer pointed out that our oil imports have been costing £3.5bn. each year, all of which would be eliminated in the early 1980s, when the U.K. is producing oil equivalent to its needs. Moreover, North Sea oil is a high-quality crude that will fetch a good price on the world market.

David Buckman.
4, Shiplake Court,
Leconfield Road,
Highbury, N.5.

Summer-time saving

From Mr. J. Wilding

Sir,—Mr. Fishlock's interesting article on energy conservation (January 22) makes no mention that I can trace, of the subject of daylight saving. In two World Wars it was found necessary to adopt this measure. The French and the Spaniards are this year adopting in effect double summer time. At least one-quarter of French territory and nearly the whole of Spanish and Portuguese territory lie to the west of the Greenwich meridian. Are any estimates or statistics available to show the energy saving that would result in our following suit?

J. B. Wilding
63/65 Crutched Friars,
E.C.3.

Support for Embassies

From the Chairman,
Seven Seas Engineering Ltd.

Sir,—During the last weeks, Press coverage critical of the Foreign Office and its staff in Embassies and Consulates around the world has been considerable.

Sitting at home in London, this is an easy and comfortable statement to make. My colleagues and I have a very different story to tell.

Everywhere we have been, whether in Communist countries, Iran, the Arab world, Scandinavia, North, Central and South America, we have found help and guidance which has been invaluable to our efforts. Assistance to make sure that our team meets the right people at short notice has been unfailingly given, often at personal inconvenience, and always beyond anything we had a right to expect. Where inquiries for our work in Ocean Engineering have resulted from our visits we have found the consulates and commercial secretaries at the Embassies eager to help in promoting the British interest against foreign competition.

For a country like Great Britain that desperately needs to increase exports, it would be more sensible to increase the number of high calibre men in overseas postings, and expenditures in this field, than to reduce them.

Sir Gerard Newman.
46, North Hanover Street,
Glasgow.

Calculating the rate

From Mr. M. Rowan.

Sir,—Our rate of inflation is a subject of constant political argument and can apparently be calculated correctly in many different ways. May I suggest a simple method for the man in the street?

Take the latest forecast of the Chancellor on Budget deficit (£12bn.). Then take the latest figures on national income (£70bn.) and deduct tax at standard rate (the man in the street knows that deficits have to be made up with the money in your pocket) to give approximate after tax national income of £42.8bn. After that divide the budget deficit by the after tax national income to give an inflation rate of 28 per cent.

The reason is, of course, that Budget deficits have to be funded by printing money . . . which is what inflation is all about.

Michael Rowan.
Town and Kentish Securities,
228, Fulham Road, S.W.10.

Pay policy and pensions

From Mr. S. Penwill

Sir,—I entirely agree with Mr. D. G. Waddams (January 21) that it would be grossly inequitable if pensions were to be related to salaries restricted under the counter-inflation policies instead of to the contractual entitlement.

In August last I raised the matter with the Superannuation Fund Office through solicitors and am still awaiting the outcome of the Board of Inland Revenue deliberations on the subject. In the meantime, what happens to those unfortunates who retire while these deliberations are taking place?

It should be emphasised that there is no legal obligation on employers to restrict wages or salaries but that where salaries are not restricted in accordance with the terms suggested by the White Paper, sanctions may be applied under the provisions of the Remuneration, Charges and Grants Act against any employer seeking permission to raise prices. This Act allows employers to be in breach of service contracts in order to avoid those sanctions and prevents any employee affected thereby from exercising his common law rights for breach of contract.

Although this Socialist Government has reiterated its intention never to introduce wage restrictions, wage restriction has been introduced disguised as control of inflation.

S. W. Penwill.
158 Fenchurch Street, E.C.3.

Reduced income

From Mr. R. Hamilton

Sir,—Mr. D. G. Waddams (January 21), may not be quite right in suggesting that persons who are due to retire in the next year or two may be deprived of a very substantial amount of pension.

He gave as an example, one who had a salary of £10,000 per annum from January 1, 1975, tied to the Retail Price Index under a service agreement. Mr. Michael Foot announced that it would be open to those concerned to decide, if they wished to continue to calculate pension entitlements on the basis of the rate of pay to which the employer was committed before July 11, 1975, even though the commitments might be limited by the pay policy. On the assumption that the pension scheme is a contributory one, say 5 per cent. of salary, then based on the example given, an extra £125 per annum is required.

Taxation on a salary of £10,000 per annum is heavy enough, without this. I wonder if it was the intention not only to freeze certain salaries, but, at the same time, reduce the net income after taxation.

R. A. G. Hamilton.
"Flags," Braiswick,
Colchester, Essex.

Union members' attitudes

From Mr. P. Heath-Saunders.

Sir,—It will be of interest to your readers to know that according to a study by Market and Opinion Research International a sizeable majority of the British public is opposed to compulsory union membership and not even a majority of trades unionists favours it. The survey also destroys some popular myths about trades unionists: 28 per cent. of trades unionists are in the AB, C1 households; that is to say, middle and professional classes; 10 per cent. of trades unionists questioned said that their household income exceeded £5,000 per annum.

Even more shattering to the Labour Party must be the fact that only a bare majority (53 per cent.) of trades unionists are Labour supporters, though a slightly higher proportion of activists vote Labour and they are less likely to be Tory supporters.

Not the least important message from the MORI poll is that the working class Tory voter is far from extinct; one in 14 trades unionists says that he very strongly supports the Tories, who are backed by 29 per cent. of the trades unionists in the sample. If they had turned out to vote, one Tory voter in four would have been a trades union member.

P. H. Heath-Saunders,
36, Brackley,
Queens Road,
Weybridge, Surrey.

To-day's Events

GENERAL

Labour Party-TUC liaison committee meets, London.

OPEC Finance Ministers meet, Paris.

Balkan conference on broader economic co-operation opens, Athens.

Sir Ralph Bateman, CBI president, speaks at Mid-Lancashire Management Research Group dinner, Bolton.

Mrs. Margaret Thatcher, Opposition leader, receives freedom of Poulterers' Company, Armourers' Hall, E.C.2.

Sir Lindsay Ring, Lord Mayor of London, attends Australia Day reception, Australia House, W.C.2.

Chris Bonington gives lecture on "Everest South-West Face," Royal Festival Hall, S.E.1, 8 p.m.

PARLIAMENTARY BUSINESS

House of Commons: Debates on provision of services for mentally ill and on municipal trading and direct labour. Financial Assistance for Industry (Increase of Limit) (No. 2) Order.

COMPANY RESULT

Plessey (third quarter).

COMPANY MEETINGS

See Week's Financial Diary on page 27.

OPERA

D'Oyly Carte production of Patience, Sadler's Wells Theatre, E.C.1, 7.30 p.m.

BALLET

Royal Ballet: Merle Park and Anthony Dowell dance Swan Lake, Covent Garden, W.C.2, 7.30 p.m.

Colour film of Romeo and Juliet, danced by Margot Fonteyn and Rudolf Nureyev, with orchestra of Royal Opera House, Queen Elizabeth Hall, S.E.1, 7.45 p.m.

MUSIC

Jose Forchheimer gives piano recital of works by Beethoven, Mendelssohn, Schumann, Scriabin, Mozart and Scarlatti, Wigmore Hall, W.1, 7.30 p.m.

COMPANY NEWS + COMMENT

Burton's warning on menswear sales

SALES FOR the first 18 weeks of the current year of The Burton Group are 9 per cent. higher than last year with wide divisional variations.

Announcing this in their annual review the joint-chairmen, Mr. R. M. Burton and Mr. L. O. Rice, report, however, that the dominant menswear sector shows an increase of only 8 per cent.

This, they say, is particularly serious since, with substantial manufacturing resources and industrial responsibilities, the group has less flexibility in handling a downturn in demand than do pure retailers.

With a trading climate described as the worse since the second world war it would be "foolhardy" to make any forecast. Meanwhile priority is continuing to be given to cash flow and to improving the fundamentals of the business — better merchandise, higher stockturn and lower costs.

In the past year the serious impact of inflation on working capital needs was faced. Total borrowings increased by £8m. but interest costs were contained. It is planned to hold borrowings at the August 31, 1975, level by reducing the volume of stocks carried, by controlling the use of funds in credit business, and by attention to cash management. Banking facilities are available to meet forecast requirements for 1975-76, and there are special arrangements for the funding of the credit operation.

The chairmen stress that an extraordinary item of £673,000 is largely a reserve against the impact of sterling devaluation on an overseas debt, not due for repayment until 1992, and does not affect cash flow.

As reported on December 17 group sales (VAT inclusive) for the year to August 30, 1975, increased by 15.6 per cent. to £146.5m. On a VAT exclusive basis, the increase was 17 per cent. Profit, before tax, at £2.5m. was below the £3.3m. of 1973-74, but it included a lower contribution from property profits. The dividend is raised from 4.41735p to 4.28548p net.

Turnover of the shops in France and Belgium was satisfactory during the first quarter, but gradually came under the pressure of the recession in the French and Belgian economies.

The apparent increase in turnover was entirely due to changes in exchange rates. In this situation profits which had been expected turned into a loss although, if currency movements and "prior year" charges are eliminated, the loss was lower than in the previous year.

Now that the French economy is showing signs of recovery, "we believe that our overseas chain is ready to take advantage of increased consumer spending," the joint chairmen declare.

At August 31 the number of retail outlets, including concessions and shops within shops, was 901, compared with 908 a year earlier.

The group has approximately 1,100 freehold and long leasehold properties, managed by the property division and the separately quoted subsidiary, Montague Burton Property Investments.

Meeting, Leeds, February 18, noon.

● comment

Burton's share price continues to romp ahead with a 10p rise to 60p in the "A" shares since the prelims. The strength of the shares is a little hard to follow since the year-end statement and now the report hardly creates an optimistic picture. Trading is clearly depressed on the menswear side and Burton is heavily involved here both in manufacturing and retail. Volume of stock, however, is being reduced in an effort to hold borrowing levels, while the company is striving to improve cash flow. But the 11½ per cent. yield was only just covered including property sales.

HIGHLIGHTS

The week-end postbag contains a number of reports, including the **Burton Group**, where some concern is expressed over the performance of the menswear activities. This week is equally active for company news with a number of big guns set to report. **Plessey** starts the ball rolling with nine months' figures due to-day. Third-quarter figures are also due to-morrow from **Reed International** along with a half-time statement from **Davy International**. Preliminary results are expected on Thursday from both **British Sugar Corporation** and **Gestetner**, while on Friday interims are due from **John Brown** and **Fitch Lovell**.

Expansion at Gibbons Dudley

Gibbons Dudley, the West Midland-based building products, refractories, engineering and industrial warehousing group, has given the go-ahead to its subsidiary, Gibbons Northern Brick, to construct a new factory at Newcastle-upon-Tyne to produce 50m. high quality facing bricks per annum.

The project, subject only to planning permissions, is in a development area and is in accordance with plans, in existence for some time, to replace and augment production from existing older units with a single large modern efficient factory.

Construction should start this spring and will take about 18 months, employing an average of 40 construction personnel. The main contractor will be another subsidiary, Gibbons Brothers—constructors of coke oven batteries, furnaces and complete plants for the ceramic industry.

The total cost will be about £4.5m. which will qualify for substantial Government development area grants. The group is in a position to provide the necessary finances from existing facilities.

Australian Mutual record

The Australian Mutual Provident Society wrote a record £3.44bn. in new sums insured last year in Australia, New Zealand and the U.K.—£680m. or 24.6 per cent. higher than in the previous year.

New annual premiums exceeded £74m. compared with £55m. in 1974.

Announcing the results in London, AMP's chief manager for the U.K., Mr. R. M. Wood, said that in the U.K. new sums insured totalled £51.4m., which represented an increase of 85.7 per cent. over 1974.

Delson order intake improving

Bolt and nut manufacturers and distributors, **Delson and Company**, experienced a sharp decline in trade from May 1975, and only now is the order intake rising again to a more favourable level.

The chairman, Mr. R. B. Lowe, cannot therefore make an optimistic forecast for the first half of the current year, but providing trade continues to improve, he trusts that next year's results will reflect the hard work being put into the company.

During the year to July 31, 1975, Busby and Company proved to be an "exceptionally" sound investment, and is now producing good results. In addition Premier Spring and Fasteners has been re-organised and has traded profitably.

Premier is largely geared to the motor industry and is currently operating at well below its capacity, but the directors are satisfied that its potential, with a turnround in trade, is "impressive."

The factories at Alvechurch and Leominster have performed well.

As known, group pre-tax profit for the past year was £389,989 (£366,070) and the dividend is 1.5075p net (same).

Utd. Spring curtails investment

IN HIS annual statement, the chairman of United Spring and Steel Group, Mr. D. Westwood, tells members that, with no clear indication of when the economic climate in the U.K. will improve, forecasting is virtually impossible. The steel division is currently in profit he says, but until a stable upward trend in demand can be seen "it would be unwise to strike too optimistic a note."

The spring division produced extremely good results when viewed against the background of a most difficult year reports Mr. Westwood. At present order books are shortening and it is unlikely that the division will benefit from any upturn in the economy this year. However it is hoped that a possible earlier recovery in mainland Europe will marginally assist the Dutch companies and the chairman anticipates "creditable results" for the division.

The directors have curtailed the capital investment programme except where plans were already well advanced or expansion was deemed vital to continuing efficiency.

As reported on December 13, turnover rose from £12.05m. to £13.07m. in the year to September 30, 1975, but trading profits fell sharply from £944,000 to £301,000. The dividend total is 1.182p (1.108p) net per 10p share.

An analysis of turnover and trading profit shows (£000s omitted)—steel stockholding and processing £9,216 and a loss of £40, spring manufacture (U.K. companies) £2,120 and £257 profit, spring manufacture (Dutch companies) £1,733 and £84 profit.

CPP basis inflation adjusted accounts show a trading loss of £52,000 (profit £975,000), a loss per share of 2.23p (earnings 3.17p) compared with earnings of 1.38p (4.32p) on an historical basis, and net assets per share of 37.5p (40.4p) compared with 26.1p (25.6p).

The accounts show that £8,000 net was paid to a former director, as compensation for loss of office.

No dividend by Oliver Pell

Manufacturers of electro-magnetic components, **Oliver Pell Control**, is omitting payment of a dividend for the year to March 31, 1975, compared with 5.025p net per 50p share for the previous year.

Turnover increased from £2,115,827 to £2,670,655, and profit was £38,804 (£20,156). The taxed balance increased from £8,757 to £40,804.

Earnings per share rose from 4.9p to 31.8p.

Liner Concrete potential

Mr. P. S. Field, chairman of The Liner Concrete Machinery Co., says the company is well placed to take advantage of opportunities as they may arise, and the search for acquisitions within the company's criteria continues.

With the recovery of world economy the portents are more hopeful for an improved demand from a wider spread of overseas markets which should reduce the effect of fluctuations in demand in the home market.

The level of orders gives no indication of an upturn in the home market. Further, the spate of orders emanating from the OPEC countries is temporarily spent although potential remains good in the medium term.

Mr. Field says he has the conviction that the company is "more resilient than many to withstand the uncertainties of present trading conditions." As known group pre-tax profit increased from £466,746 to £610,916 in the year to August 31, 1975, and the dividend is 0.6435p (0.603p) net.

Export turnover increased by 215 per cent., from £1.3m. to £4.1m., accounting for 57 per cent. of the group total.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-division shown below are based mainly on last year's timetable.

TO-DAY

Interims—Johnson Construction Equipment, Kwikform.

Finals—T. Cowie, Hall-Thermotank.

FUTURE DATES

Interims—	
Christie-Tyler	Feb. 2
Daejan	Jan. 29
Western Canada Investment	Feb. 2
Finals—	
Dunford and Elliott	Jan. 28
Howard Machinery	Jan. 28
Pentland Investment Trust	Feb. 3
Prestige	Feb. 2
Securicor Group	Feb. 11
Security Services	Feb. 11
Standard Trust	Jan. 28
Wardle (Bernard)	Feb. 12
Westinghouse Brake and Signal	Feb. 3

In order to accommodate the mooted rights issue and to maintain a balance of unissued shares for expansion by acquisition, the directors recommend in creasing the authorised capital from 1.25m. to £2m.

As at December 27 last Ferguson Industrial Holdings held 27,886 per cent. of the capital.

Freddie Mansfield

Mr. Ladislas Rice, joint chairman and managing director of the Burton Group.

CompAir "stronger than ever"

MR. N. C. MACDIARMID, chairman of CompAir, tells members in his annual statement that he believes the group is "stronger in every way" than it has ever been and that the future can be regarded with confidence.

Mr. Macdiarmid is again deferring comments on the current year's outlook until the annual meeting. He points out that last year's results were "outstandingly" good, and prospects of a further advance must turn on economic and political factors which, at this stage, are difficult to assess.

However, he reports that the year has started "quite well" and that it is possible to see initial signs of an upturn in certain important markets which had been badly hit by the world-wide recession.

Principal group products are air compressors, pneumatic tools, hard rock drilling equipment and pneumatic controls. Pre-tax profit for the year to September 28, 1975, expanded from £6.1m. to £7.3m. and the net dividend total is lifted from 2.75p to 3.1p per 25p share.

Total overseas sales amounted to 71 per cent. of turnover and about half of the group profit was directly earned abroad. Direct exports from the U.K. increased by 52 per cent. to £25.9m.

The chairman also reports that the group's freehold and leasehold properties throughout the world were professionaly revalued in September 1975 in the sum of £10.7m., divided almost equally between the U.K. and overseas. The directors have decided not to incorporate these values in the consolidated balance sheet pending a settled and widely adopted practice of inflation accounting which seems likely to be effected in the foreseeable future. Nevertheless, he says, there is obviously a substantial surplus of value compared with the present total depreciated book value of £4.98m.

All the proceeds of the successful July 1975 rights issue, which provided some £3.7m. net, were applied in reducing bank borrowings. The statement of source and application of funds shows a decrease in cash balances of £332,000 (£74,000) and a decrease in overdrafts of £2.1m. (increase £4.6m.).

Increased loss from J. Michael

DESIGNERS, manufacturers, and retailers of menswear, John Michael (Savile Row), reports an increased loss of £249,575, against £69,983, on turnover up from £2.32m. to £2.67m. in the year to January 25, 1975.

The loss is struck after depreciation £84,036 (£59,610), and interest £96,683 (£51,007).

There is a tax credit of £87,158 (£34,412), and an extraordinary profit £31,734 (£75,382).

Basic loss per 10p share is 7.33p (14.3p). As before there is no dividend.

BIDS AND DEALS

ILLINGWORTH PURCHASE FROM BURTON GROUP

Illingworth Morris has bought from The Burton Group the trading name and stock of Firth and Co. (Huddersfield Textiles) for about £200,000 cash.

The activities of the business will continue under the name of Firth which will operate as a division of Winterbotham Strachan and Playne, a subsidiary of Illingworth Morris. The business will be physically transferred to the Bradford area.

The transfer of the business is said to be ideally suitable for both groups as the wholesaling of cloths represented a diversification of activities for Burton away from their declared policy of operating as specialised retailers.

RICHARDS-ARCHFORD

The offer by **Richards** of Sheffield for **Archford** Investments has been accepted in respect of 877,670 shares (99.7 per cent.). It remains open.

OZALID

Ozalid Group Holdings announces that the proceeds for the recently announced sale of its holding in ICI realised some £4.9m. The company states that it was considered more advantageous in present conditions to realise the holding, thereby providing additional working capital for the group.

TRIANCO

Mr. Lawrence Webb, former director of **Trianco**, says the offer from **Central and Sheerwood** of 26p per share for the Trianco cumulative Participating Preference shares is "wholly inadequate." Mr. Webb will not be accepting in respect of his own holding of almost 20 per cent. and recommends other holders to reject the bid.

SHARE STAKES

Lebong Tea announces that **Tamlin Securities** (formerly Elpitiya Rubber Holdings) has sold its total holding of £42,117 stock in the company and **Nonsuch Investments** has acquired £42,117 stock (20.4 per cent.) in Lebong.

Trident Group Printers announces that **Chirit Investment** is now interested in 801,335 Ordinary shares in the company (18.33 per cent.).

E. Chalmers Holdings announces that **McNeill Pearson Nominees** (a subsidiary of McNeill Pearson) has purchased a further 20,940 Ordinary shares in the company. Total holding is now 430,240 Ordinary shares.

Maurice James Holdings announces that **Greenwood and Batley** has disposed of 246,137 Ordinary shares in the company, reducing its holding to 1,350,000 shares.

Hume Holdings announces that **Rothschild Investment Trust** now holds 5,831,979 "A" Ordinary shares and 22,668 "B" Ordinary shares representing in aggregate 26 per cent. of the "A" and "B" capital.

Following the purchase of a further 70,848 **Updown Investment Company** Ordinary shares, **Debenture Corporation** owns 739,972 shares (19.99 per cent.).

ISSUE NEWS AND COMMENT

Brasilvest U.S.$3m share placing

The prospectus is published to-day in connection with the placing by Credit Suisse White Weld of 300 Depositary shares in Brasilvest S.A., an investment company incorporated under the laws of Brazil. The placing is at a price per Depositary share of $US10,500 each less reallowance commissions of up to $US350.

Each Depositary share will represent a number of shares having a par value of $Cr1 each, calculated by converting $US10,000 into cruzeiros and applying the proceeds in subscription of $Cr shares at $Cr10 per $Cr share. On January 22 the average of the spot selling and buying rates of Banco Central do Brasil was $Cr0.22 per $US1.

The investment policy of the company is to enable residents outside Brazil to participate in a diversified portfolio of Brazilian industrial and commercial securities—investment in financial securities being excluded under Brazilian regulations. The long-term considerations of the company will be capital growth, though the directors expect that in the year to March, 1977, dividends will be paid representing a gross yield (in Cruzeiro terms) of not less than 4 per cent. Brazilian withholding taxes will be deducted at the appropriate rate.

The company's portfolio will be managed by Unibanco-Banco de Investimmento do Brasil S.A., which is a subsidiary of Unibanco-Uniao de Bancos Brasileiros S.A., one of the largest commercial banks in Brazil, with assets of over $US630m. last June.

Brokers to the issue are White Weld and Co. Incorporated (London office), de Zoete and Bevan and Laurence Prust and Co. Dealings in the Depositary shares are expected to commence on Monday, February 9.

● comment

Brasilvest SA is the third company investing in Brazil to obtain a London quote over the past year, bringing the total in E... to five. All the U.K. issues have been within a similar framework mainly because of Brazilian restrictions, and this issue is different from the others in its small size. This has been a deliberate move, for Brazil is an area in which White Weld... any history of particular investment, so the policy has been to "start small and get the people." One other difference is that Brasilvest has an "over-the-counter" market in G... Again, of course, this issue is aimed at institutional investors who will be willing effectively to be locked-in for three years.

Particulars pages 28 and...

TRAFALGAR HOUSE

Trafalgar House Investments announces that, as a result of the recent rights issue the rate of conversion in respect of the ... per cent. Unsecured Loan ... 2000/05 is adjusted to 39.40 Ordinary shares for £40 stock or £100 nominal. Accordingly the cash subscription rate in respect of such stock is adjusted to ... per Ordinary share.

Holders of "B" warrants receive additional warrants at the rate of 58 new warrants for every 1,000 held and the cash subscription rate is adjusted to 83... per Ordinary share.

McCorquodale plans for the long term

INVESTMENT in new and replacement machinery is continuing at **McCorquodale and Company**, and this will enhance its ability to benefit from any upturn in business, reports Mr. Alastair McCorquodale, the chairman, in his annual statement.

At present the company is not able to fill available capacity and selective retrenchment is taking place. Nevertheless, the benefits of the investment in specialist activities and close control over enterprises, "will enable us to limit the impact of the recession and maintain a strong base for future progress and growth," he adds.

Expenditure on new and replacement plant during the year to September 30, 1975 was £2.46m. (£2.91m.). Authorised capital expenditure contracted for amounts to £0.52m. (£1.48m.) and authorised, but not yet contracted £0.22m. (£0.19m.).

Mr. McCorquodale expects trading to be more healthy by 1977. Conditions in most overseas countries in which the company operates are expected to improve earlier than in the U.K., he adds.

Referring to the successful August rights issue to raise £1.38m., the chairman says the funds raised have been used in the short term to reduce overdrafts. The issue has "significantly" improved the financial strength of the company.

Further substantial investment is planned for the security printing division. In the colour display division's interests in Europe, further development is anticipated in the near future.

As known, taxable profit for the year 1974-75 advanced from £1.92m. to £2.34m. and dividends are up from 11.329p to 12.75p net.

The company's interests include printing, engineering and thermo forming of plastic. Meeting, Basingstoke, February 18, ... p.m.

London Australia

Consolidated net profit for ... of London Australia Investment ... was little changed at $A7... compared with $735,093 after ... of $85,823 against $56,000.

The final dividend is 5 per ... payable on April 2, for an unchanged 9 per cent. total. ... net asset value per $1 unit ... given as $1.70 ($1.25).

Utd. Wire to hold interim

United Wire Group should be able to retain the interim dividend at the same figure as last year (1.4p per Ordinary share) on the basis of present forecasts for the first half of the current year, the chairman, Mr. T. C. W. Sturrock, told the annual meeting.

Mr. Sturrock confirmed ... figures for the first quarter showing some improvement ... tended to confirm the view ... the decline in activity prevailing throughout the greater part of the past year had been arrested.

Taxable profits for the year to September 1975 declined from £1.30m. to £0.56m.

FT Share Information Service

The following securities have been added to the Share Information Services appearing in the Financial Times:—

A.C.E. Machinery—Engir...

ending dividends metable

ical Authority Investments

ublic Works Loan Board rates

Effective from January 17, 1976

Years	Quota loans Repaid By instalments	Quota loans Repaid At maturity	Non-quota loans* Repaid By instalments	Non-quota loans* Repaid At maturity
5	10½	11¼	12¾	13⅛
5, up to 10	11¼	12⅛	12⅞	13¾
10, up to 15	11⅞	13⅜	13	14
15, up to 25	13⅜	14	13¼	14⅛
25	14	14	14	14⅛

* Non-quota loans B are 1 per cent higher in each case than quota loans A.

World Economic Indicators

RETAIL PRICE INDICES

	Dec.'75	Nov.'75	Oct.'75	Dec.'74	% change on a year earlier	Index base
	146.0	144.2	142.5	116.9	24.9	1974=100
	135.7	135.4	135.0	130.0	4.4	1970=100
	162.3	162.0	161.6	148.7	9.1	1969=100
	166.3	165.6	164.6	155.4	7.0	1967=100
	150.0	149.2	147.6	135.1	11.1	1971=100
	Nov.'75	Oct.'75	Sept.'75	Nov.'74		
	157.3	156.3	155.1	143.1	9.9	1970=100
	177.8	176.5	173.9	159.8	11.9	1970=100
	177.4	176.6	175.6	164.2	8.1	1970=100

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

INTERNATIONAL COMPANY NEWS

Capital spending at Statsfoeretag

BY WILLIAM DULLFORCE STOCKHOLM, Jan. 25.

THE SWEDISH Government has asked Parliament to approve an increase of Kr.1.5bn. (£170m.) in the share capital of Statsfoeretag, the State holding company. Half will be paid in the 1975-76 financial year and half in 1976-77, raising the total equity to Kr.3.025bn.

The increase is needed to enable Statsfoeretag to meet estimated capital requirements of Kr.11.3bn. (£1.26m.) over the four-year period 1976-79, including planned investments of Kr.5.5bn. (£620m.) at current prices. The holding company expects to finance Kr.5.3bn. from its own earnings and to borrow Kr.4.6bn. (£520m.) over the four years.

The earnings estimate is high, when compared with anticipated total profits of Kr.200-250m. for 1975 from Statsfoeretag's 29 companies on combined sales of over Kr.8bn., but in 1974 the group for the first time achieved pre-tax earnings of over Kr.1bn. and hopes to return to that level.

The investment programme presented to Parliament would account for roughly 10 per cent. of anticipated Swedish industrial investment during the period, but it does not cover the controversial new steel works planned for Northern Sweden, projects for a State refinery and cracker plant and the State's recent involvement through Statsfoeretag in shipbuilding. These projects will be decided on later and could bring Statsfoeretag's share close to 20 per cent. of total industrial investments over the next four years.

Large as it is, the current Kr.5.5bn. investment programme represents a cutback from original plans. The lion's share will go to the LKAB iron ore mining company, which will get Kr.2.3bn.; to the ASSI forestry concern (Kr.350m.) and to the loss-making NJA steel company (Kr.350m.).

Davis offer for IMFC

BY JAMES FORTH SYDNEY, Jan. 25.

CHARLES DAVIS, the Tasmanian retailer, property group and engineer, is making a $A4.6m. cash bid for the Adelaide-based merchant bank and retailer Investment and Merchant Finance Corporation (IMFC). Charles Davis, a member of the Signet Group, is offering $A1.15 for each of IMFC's 4m. shares, which compares with a pre-bid market price of 60 cents.

The main attraction of IMFC to Charles Davis appears to be its principal subsidiary, Harris Scarfe, the long-established hardware group. Charles Davis last year made an attempt to expand to the mainland with a takeover offer for the prestigious Melbourne retailer Georges Australia, but was repulsed. The company seems to have a much greater chance this time as IMFC directors say that they will recommend the bid when the formal documents are received if the terms are the same as represented, regarding price, duration of the offer, arrangements to pay and protection for all debenture holders, depositors and staff.

The top twenty shareholders in IMFC own almost 73 per cent. of the company's capital. The largest shareholder is the Royal Bank of Canada with 1m. shares followed by the International Bank of Detroit with 980,000. These two banks are represented on the Board, and together with IMFC jointly own the merchant bank arm, IMFC Discount.

Swedish Match spin-off

BY JOHN WALKER STOCKHOLM, Jan. 25.

AN AGREEMENT has been reached under which the Finnish concern Saastamoinen Yhtyma Oy acquires all the shares in the Swedish Match subsidiary Savo Oy, which manufactures plywood, blockboard, hardboard and doors, for an undisclosed sum. But as part of the deal, Swedish Match will have a minority interest in Saastamoinen Yhtyma Oy. The acquisition makes it possible, Swedish Match states, to coordinate joint marketing, as well as raw material purchases, particularly as both companies are located at the same place.

Savo Oy has an average turnover of about FM100m. yearly and employs about 600 people, but the turnover figure for 1974—the latest full year available—dropped to FM.65m. In common with a number of board producers, it is thought that the company made a loss last year mainly due to the sharp downturn in the European building industry. Saastamoinen Yhtyma—which is a family-owned concern—has an estimated turnover of about FM.750m., and the number of employees totals about 3,500. A co-operation agreement will be concluded later between Swedish Match and Saastamoinen Yhtyma concerning some common products which include doors, windows and building components for small houses.

FDIC has 350 banks on 'problem' list

By Guy de Jonquieres NEW YORK, Jan. 25.

THE Federal Deposit Insurance Corporation, one of the three national agencies supervising the banking system in the U.S., has disclosed that it has almost 350 unnamed banks on its "problem" list, half of which are said to have "serious" problems.

Despite the large number of banks involved, their aggregate assets total only $13bn., suggesting that the vast majority are quite small. All the ten largest bank holding companies have assets of more than $10bn., and the total for all U.S. banks exceeds $900bn.

The banks are listed in three categories: about 20 have advanced problems which could require immediate FDIC intervention; the second group might need help eventually and those in the third category are deemed to require close supervision, though they are considered less vulnerable.

The list was made available at the request of Senator William Proxmire, chairman of the Senate Banking Committee, which is investigating recent Press reports that Government supervisors are concerned about the condition of a number of banks, including such major institutions as First National City Bank and Chase Manhattan.

Blue Circle hopeful

By Richard Rolfe JOHANNESBURG, Jan. 25.

RESULTS FROM Blue Circle Cement, APC's 56 per cent.-owned subsidiary in South Africa, show turnover up from R95m. to R123m. for the year ended November 30, while trading surplus rose from R13.4m. to R15.9m. At the net level, the rise was from R5.5m. to R6.6m. while minority interests, reflecting the 63 per cent.-owned Hubert Davies, the engineering and construction group, rose from R1m. to R1.5m. on its good figures announced last week. The upshot for Blue Cicle was earnings up 2.9 cents at 24.4 cents, and the annual dividend hiked 1 cent to 12 cents.

Hubert Davies provided enough growth to compensate for the cement side, where profits fell from R3m. to R2.8m. net on cement deliveries down 12 per cent. over the year. The industry is price-controlled and hopes of recovery in the current year hinge largely on a price rise, with the general performance of the economy unlikely to stimulate higher volume. However, Hubert Davies should continue to do well and Blue Circle shares, at 125 cents to yield 9.6 per cent., are attracting attention as an income stock.

MINING NOTEBOOK

Lang Hancock's case for a fiscal paradise

BY LODESTAR

LAST WEEK I reported here the news that Western Australian Premier Sir Charles Court was not letting the grass grow under his feet in efforts to persuade the new Federal Government to boost the State's still big mining potentialities and his plan for easing the financial burdens on companies which have new projects in a pipeline that had previously been jammed up by the Labor administration's restrictive policies.

The Marandoo iron ore venture was mentioned as being one such project. Partners in it are the Lang Hancock-Peter Wright company Hanwright and America's Texasgulf. The reference has prompted an ebullient diatribe from the colourful Mr. Hancock himself, always strongly anti-Government almost whatever its persuasion.

His views are certainly challenging enough. If the country is to get out of its present mess, the Fraser Government, the huge bureaucracies and the people of Australia must realise that everything comes from the earth. You either mine it or you grow it. Therefore, "all dead-hand Government shackles must be removed from our basic industries of mining and agriculture."

He avers that there is a strong personal realisation by Mr. Fraser and his Resources Minister Mr. Anthony that if the coalition is to survive there is need for some huge resource developments to begin soon. Naturally he plumps for Marandoo as being one of the first to go on an 80m. tons per annum basis, followed by the big uranium and coal projects.

No glamour now

The glamour days of the boom, during which big iron mines were able to carry hordes of Government departments on their backs have gone, Hancock goes on, with projects now too marginal to be able to afford such "socialist luxuries." Much-needed venture capital has forsaken Australia owing to exorbitant taxation, no security of tenure for mining titles and with an increasing list of regulations and restrictions placed on the industry.

On the constructive side Hancock's solutions to current problems are inevitably much more revolutionary than Sir Charles Court's. He reckons that the mineralised area north of the 26th parallel should be made income tax free for a trial period of 20 years with a re-investment clause applicable only to capital of 40 per cent. in order to obtain this immunity. Remember Ireland in the good old days?

All wage and salary earners would also need to be tax free without the re-investment obligation so that they could get the benefit of this "attractive bait" in their first pay envelopes. Government would need to declare the region a frontier area removed from all the strangleholds of departmental interference.

Warming to his theme Hancock suggests that such measures should also apply to the Northern Territory and the north-western part of Queensland. He reckons that the capital that would naturally then be attracted would spark off development to a point where indirect tax from all the new enterprices would "far outweigh" any income tax that the Treasury would have to forgo.

And he rightly points out that the vast quantities of raw resources at present lying uselessly in the ground are yielding nothing in tax, jobs or "defence through commodity power." Is Hancock indulging in a pipe-dream? The answer must almost certainly be yes. But surely there must be a suitable middle course between his sweeping proposals and the more modestly practicable ones of Sir Charles Court that would give Australia's mining industry the big jolt forward that is undoubtedly justified.

Labour problems

What Hancock has not taken into account is the effect that such measures would have on what (apart from the problem of finding customers which is after all the most vital one) is the industry's greatest handicap, labour. In other words, would any tax free basis merely fuel the unions' fires in the north instead of dampening those which are already fiercely burning.

The latest strike has caused a $1m. a day shut-down of the big Mt. Newman iron ore operation in the Pilbara despite negotiations which have been dragging on since October. Management of the venture, in which Amax, Broken Hill Proprietary and Selection Trust are among the major participants, has strongly rejected the theory that the unions are doing a favour by halting production at a time when Japanese customers are endeavouring to cut back on supplies.

Premier Sir Charles Court considers the strike to be "appalling," claiming that the unions (no less than 11 are involved) cannot possibly understand the implications of their persistent actions. He warned that the Japanese were actively looking for other more reliable sources of supply. If they decided "in the next few weeks to commit themselves more heavily in Brazil and Africa we will be in a serious situation for many years."

Sir Charles will no doubt be stressing the risks at a planned meeting with union leaders designed to review the whole economics of Western Australian mining. It would be a very good idea in all the circumstances, albeit an improbable one, if he invited Lang Hancock to attend. Desperate circumstances need desperate measures. And, as I said last week, it is about time that these former opponents got together in what is avowedly a common aim. As a combination they could be almost irresistible in Canberra.

Whim Creek puzzle

The inquiries stemming from my Australian "whatever happened to" series have now beamed in on to what is for once not a share which is still lingering in the doldrums but one which has had the kind of revival that has in itself sparked off the queries. The Northgate group's Australian offshoot Whim Creek at 46p has doubled in price since last month. The question is why, one that seems to fox the company itself both in Perth and in Dublin.

The only reason put forward by spokesmen is the kind of generally improved exploration prospects in Australia already discussed here. With Texasgulf continuing to sit on the Mons Cupri copper prospect up in the Pilbara the only venture in which Whim Creek appears to be making any progress is the Whundo open-cut copper find which it is planned to work on a small direct shipping ore basis.

Otherwise the company appears to be concentrating its efforts on the search for alluvial gold and tin with the Yule River tin prospect currently deemed promising enough to warrant a feasibility study. Its other formerly share stimulating possibilities, Mt. Sholl nickel and Ruth Well copper-nickel, which once excited the comment from Northgate chief Pat Hughes that there is a "mine up there," are on ice but at least could presumably be re-heated at some time when economics are more propitious. So that all is not yet lost is the only encouragement that can be given for Whim Creek shareholders anyway pending the forthcoming quarterly and annual reports.

* * *

Little is heard about Tins these days. But brokers Grieveson, Grant have filled the gap with a 28-page survey of the prospects for both the metal and the producers' shares. Investment, it is concluded, should be directed to long-life high capacity mines. Their nominations are Ayer Hitam, Gopeng, Malayan Tin and the Malaysian registered Berjuntai. London Tin are not rated a buy at this moment.

INSURANCE

Hedging on holiday risk

BY OUR INSURANCE CORRESPONDENT

LIKE MANY another citizen with children of school age I have already booked my summer holiday because I must go away in the main holiday season. With the booking form came the customary offer of the usual holiday insurance package, an offer which set out brief details of the policy cover but unusually promised the despatch of a copy of the full policy for inspection before purchase should I so wish it. An overdue but welcome development I thought as I read on, only to come quickly to a full stop, facing a "warranty applicable to all sections of the policy."

This declared: "It is warranted and is a condition of the policy that at the time of booking or at any time prior to the commencement of the holiday or journey . . . the insured or any member of his party travelling is not aware of any circumstances likely to lead to a claim being made under any section of this insurance."

If you have read this quickly you may comment that it is only putting to the potential purchaser the travel variation of the old axiom that you can't buy fire insurance when your house is already on fire: and you may ask—what is wrong with spelling this out?

But go back and read more slowly. It is one thing for insurers to warrant or make a condition of having no knowledge of potential claims at the time of booking, at the time when the insurance is bought. It is a totally different proposition to try to apply that warranty or condition subsequent to the booking and purchase of cover, "at any time prior to the commencement of the journey." Taken completely literally, this imposes a very high duty upon all members of the family to keep insurers informed of almost every adverse change of risk—though I cannot think that this is what insurers intend.

I have never seen any attempt to impose such a continuing obligation of this kind in a holiday policy which of necessity is bought some months before the holiday begins partly to guard against events that may cause its cancellation in the intervening months. Maybe I have got it all wrong and maybe some vital words have been omitted but I am not sure what my duty as a policyholder would be nor what penalty I might incur for non-compliance; nor am I clear whether insurers would be entitled to void the policy if I should give them unpalatable information. But if I am confused, what of the average lay, non-insurance, customer?

Cover

Of course in holiday travel policies there must be exclusions and conditions, sometimes warranties: but as such clauses restrict cover perhaps even eliminate it, they must be reasonable, be seen to be reasonable, and moreover must be clearly expressed so that their purpose is certain.

One exclusion found in many holiday policies in some form or other, is the exclusion of claims due to pre-existing disease or infirmity. With this exclusion insurers attempt to make all potential policyholders start level whether enjoying average health or otherwise. With this kind of exclusion, for example, the chronic asthmatic would be precluded from claiming for cancellation of his holiday due to a sudden worsening of his condition, though if he were immobilised in hospital as a result of a road accident just before his holiday his claim would be valid.

Theoretically it is always possible for anyone with sub-standard health to ask insurers what price they want for providing full cover but in practice more often than not in the context of low price travel policies insurers' answer is that the policy must be bought as it stands or not at all.

Because inevitably a percentage of holidaymakers do have some physical defect which gets caught by this kind of exclusion when claims are made insurers do incur criticism, and not just from disappointed claimants, for the way in which they write their policies and handle their claims.

Now, by way of experiment one company, Federated Insurance (recently acquired by American-based All-State) is now selling holiday insurance free of this particular exclusion and providing a 17-day package for a premium of £2.50 a head. Undoubtedly Federated runs considerable risk of making a book of less than averagely fit holidaymakers and this risk must pose the question whether adequate premium will be obtained.

However even if Federated is not prepared to give completely full cover for pre-existing physical defects. No insurance is provided for anyone taking a holiday contrary to his doctor's advice, nor is the cost of continuing or routine treatment covered.

Money & Exchanges

Bank of England Minimum Lending Rate 10¾ per cent.
(since January 23, 1976)

Short-term fixed period interest rates were generally fairly steady in the London money market last week, but declined on Friday following the reduction of ¼ per cent. to 10¾ per cent. in Bank of England Minimum Lending Rate. At the weekly Treasury bill tender the average rate of discount fell by 0.2294 per cent. to 9.8351 per cent. The three-month sterling certificate yield finished at 10$\frac{1}{16}$-9⅞ per cent., compared with 10¼-9$\frac{15}{16}$ per cent. on the previous Friday.

Day-to-day credit was in short supply except on Tuesday, and the authorities gave exceptionally large assistance to the discount market on Monday and Wednesday, and very large help on Thursday. A large excess of revenue payments to the Exchequer over Government disbursements was the main reason for the shortage of funds.

Interest in the foreign exchange market last week centred around the Italian lira and the effect of its very sharp decline on other European currencies. The lira's fall was as a result of the closure of the Italian foreign exchange market. This followed a period when the Bank of Italy had been involved in some very large support operations for the lira after the resignation of the Italian Government earlier this month. The lira's trade-weighted depreciation, as calculated by Morgan Guaranty, fell by 6.74 per cent. in three days, to finish the week at 37.46 per cent. In terms of the U.S. dollar it closed at L731.50, compared with L688.80 on Tuesday.

The French franc and sterling were adversely affected by the problems in Italy and the Banque de France was reported to have given over 300m. of support to the franc during the week. The pound touched a low point of $2.0140-2.0150 on Thursday, but finished the week at $2.0230-2.0240 compared with $2.0295-2.0305 on the previous Friday. European currencies showed a much more stable trend on Thursday afternoon and during Friday and there were indications of intervention, not only by the European central banks, but also by the U.S. authorities. The pound's trade-weighted depreciation, as calculated b ythe Bank of England, was unchanged at 30.1 per cent., but did touch 30.2 per cent. during trading on Thursday.

The three-months U.S. dollar against sterling widened to 2.58 cent premium from 2.42 cent premium, reflecting the larger differential between interest rates in the U.S. and the U.K.

The dollar's trade-weighted depreciation, on the Morgan Guaranty basis, narrowed to 2.19 per cent. from 2.34 per cent., but the improvement would have been much greater, but for the intervention by central banks.

Gold lost $1¼ on the week to finish at $128¾-129¼, and touched $123¾-124¾ on Tuesday, its lowest closing level for two years.

EXCHANGE CROSS-RATES

EURO-CURRENCY INTEREST RATES

GOLD MARKET

FOREIGN EXCHANGES

FORWARD RATES

SPECIAL DRAWING RIGHT RATES

OTHER MARKETS

WEEKLY AVERAGES OF U.K. INDICES

London tea sales

INSURANCE BASE RATES

† Atlantic Assurance	11 %
Cannon Assurance	9 %

* Address shown under Insurance and Property Bond table.

INTERNATIONAL COMPANY NEWS + EURO MARKETS

EUROBONDS

Attention paid to primary sector

BY MARY CAMPBELL

THE trend which emerged towards the end of the week before last — the concentration of interest in the primary sector with the secondary market weaker and inactive—continued throughout last week too. A number of issues were priced on Thursday night or Friday and dealers were awaiting details of allocations before judging the extent to which the market will have to pay during the next few weeks for the unrivalled volume of new issues during January.

Dealers are particularly watching the $100m. issue for Norway which introduced the lowest coupon level seen for a year—8½ per cent.—and which was priced on Friday at 100½. Ford's Can.$50m. issue was priced at 99½ after a coupon cut from 9½ to 9¼ per cent. In the case of General Motors, where coupons on both tranches had been cut by a quarter of a point early in the offering period, the size of each tranche was increased from $30m. to $50m. on a par pricing. Crédit Foncier's Can.$20m. 9¾ per cent. was raised to $30m. and priced at par.

New issues last week included $25m. for South Africa, $30m. for Eurofima, $20m. for the American company Sundstrand, $25m. for Société Financière Européenne (SFE) and $75m.-worth of floating rate notes for Crédit Lyonnais. The South African issue, for which Paribas is lead manager, offers an indicated 9¾ per cent. for five years. The other three straight issues are all for seven years. Sundstrand offering 9¾ per cent. via Warburg's, Eurofima 8¾ per cent. via Smith Barney and SFE 9 per cent. via Bruxelles-Lambert.

The terms of Crédit Lyonnais' floating rate issue are markedly less generous to investors than those of Midland's current $50m. issue, at least at present interest rate levels. Although the quarter point spread is the same, a 6¾ per cent. minimum has been set for the first three and a 7 per cent. minimum for the last three years of the six year maturity. Midland is offering a 7½ per cent. minimum over seven years. Latest new issue in the D-Mark sector is DM250m. for the World Bank. Coupon will be 8 per cent. on a par pricing. Lead manager is Deutsche Bank.

Mees en Hope review of 1975

By Michael Van Os

AMSTERDAM, Jan 25.

A SURVEY by a leading Dutch bank, Mees en Hope, published here said that the profit per share of tse 55 Dutch companies making up the ANP/CBS General Bourse Index has decreased by nearly 30 per cent. in 1975. According to a "very general" estimate for the current year, the profit per share of the 55 major companies—which account for a quarter of all officially listed Dutch shares—could rise about 15 per cent.

In its survey, ABN subsidiary bank Mees en Hope notes that as for the present year, the timing and the extent of the economic recovery would be of paramount importance. And, similarly, given that capacity under-utilisation losses have had a major impact on the 1975 results, an improvement in this sphere could lead to more than proportional recovery of profit.

The bank, which has also reviewed profit development of the group of companies since 1965, concludes that the average growth of its profit per share has trailed the average increase of inflation which was 6.75 per cent. The average per share profit growth of the 55 companies comprising the "general" index has risen only 3.6 per cent. over the decade. Only the financial sector advanced ahead of inflation, with the banks rising 9.1 per cent. and insurance 8.8 per cent. The sharpest decline over the period was recorded in the sector shipping and airlines which had shown a decrease of 8.8 per cent.

Banking sector

The Mees en Hope survey shows that in the banking sector, the per share profit growth of Slavenburg's had amounted to an average of 13.4 per cent., while of the surveyed insurance companies the peak performer had been Nationale-Nederlanden with a growth of 12.7 per cent. As for the internationals, the average profit growth per share in the years 1965-75 had risen on average by only 1.9 per cent. —which was exclusively attributable to Royal Dutch Shell with an average increase of 10.4 per cent.

As for the profit per share figures for 1975, the international companies in the ANP/CBS Index had declined 73.3 per cent., industry was down 30.6 per cent., shipping and airlines down 43.1 per cent., trading down 20.9 per cent., whereas banking had been up 7.3 per cent. and insurance was up 5.2 per cent.

Swiss listings for ABN

By John Wicks

ZURICH, Jan. 25.

THE DUTCH Bank Algemene Bank Nederland (ABN) is, on February 12, to introduce listings of its ordinary shares to the Swiss stock exchanges of Zurich, Basle, Geneva and Lausanne through the mediation of the three major Swiss Banks, the introduction being co-ordinated by the Swiss Bank Corporation, of Basle.

It is planned to apply shortly for official listing on the Duesseldorf and Hamburg exchanges. ABN shares are already quoted on the bourses in Amsterdam, Brussels, Frankfurt, London and Paris.

Indices

NEW YORK

DOW JONES AVERAGES

Close	Home Bonds	Transport	Indus.	Util.	Trading volume† 000's
Jan. 23	70.90	197.38	953.95	90.62	33,640
22	70.25	195.67	943.48	89.88	27,430
21	70.85	195.77	946.24	90.24	34,470
20	70.73	197.42	949.86	90.49	36,690
19	70.67	196.02	943.72	90.50	29,450
16	70.68	191.32	929.63	89.96	25,940
15	70.64	190.55	924.51	89.54	32,450
14	70.35	190.69	929.63	89.34	30,540
13	70.27	187.11	912.94	88.39	34,530
12	70.06	128.41	922.39	88.70	30,440
9	69.92	185.81	911.13	87.97	26,510
8	69.77	185.06	907.98	87.71	29,030
7	69.62	182.50	898.69	87.59	36,170
6	69.57	181.32	890.82	87.56	31,270
5	69.25	176.57	877.83	86.43	21,980
2	69.11	175.69	858.71	84.84	10,300
Dec. 31	69.02	172.65	852.41	83.65	16,970
30	69.06	171.21	852.41	82.69	16,040
1975-76 High	70.90 (23/1/76)	197.42 (20/1/76)	953.95 (23/1/76)	90.62 (23/1/76)	—
Low	66.16 (3/1)	146.47 (2/1)	632.04 (2/1)	72.02 (2/1)	—
All-time High	—	279.88 (7/2/69)	1051.70 (11/1/73)	163.32 (20/4/65)	38,450 (15/1/76)
Low	—	13.23 (5/7/32)	41.22 (8/7/32)	10.58 (28/4/42)	—

† Excluding bonds.

IND. DIVIDEND YIELD p.c.

Jan. 16	Jan. 11	Jan. 17 1975
4.02	4.11	5.87

N.Y. SE ALL COMMON INDEX

December 31, 1965=50.

1975-76 High	Low	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19
52.59 (23/1)	47.06 (2/1)	52.59	51.97	52.06	52.35	52.07

RISES AND FALLS

Issues traded	Up	Down	Unchanged
1,903	1,170	401	332

	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19
New Highs	309	188	600	315	294
New Lows	5	nil	one	one	2

AMERICAN SE MARKET VALUE INDEX

Starting base 100 Aug. 31, 1973.

1975-76 High	Low	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19
96.80 (15/7)	82.20 (2/1)	94.17	92.88	92.55	96.00	92.85
Volume (000's)		44.30	3,030	5,110	5,130	5,260

STANDARD AND POORS U.S. STOCK INDICES

	*Industrials	†Composite
Jan. 23	111.16	99.21
" 22	109.79	98.04
" 21	110.02	95.24
" 20	110.76	98.86
" 19	110.14	98.32
" 16	109.60	97.00
" 15	108.17	96.61
1975-76 High	111.16 (23/1/76)	99.21 (23/1/76)
1975-76 Low	77.71 (8/1)	70.74 (8/1)

* 425 Industrials. † 425 Industrials, 50 Utilities, 25 Rails.

STOCK AND BOND YIELDS

	Jan. 21 1976	Jan. 14 1976	Jan. 22 1975
Ind. Ord. yield pc	3.42	3.45	4.79
Ind. Ord. p/e ratio	13.53	13.38	7.09
Long-term Govt. Bds. per cent.	5.81	5.92	6.25

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Citicorp	610,600	29¼	+¼
Searle G. D.	322,700	15¼	+¾
Fedders	300,900	6	+½
Tandy	276,000	36¾	+¾
Polaroid	241,200	36	+¼
RCA	239,000	25¼	+1½
Seaboard Air.	239,000	5	+¾
Merrill Lynch	232,300	21	+1½
Transamerica	195,900	10¾	+¼
McDonalds	188,900	62¾	+¾

TORONTO

INDUSTRIAL INDEX

Jan. 23	Jan. 22	1975-76 High	1975-76 Low
183.70	182.83	196.30 (15/7)	159.41 (2/1)

MONTREAL

INDUSTRIAL INDEX

Jan. 23	Jan. 22	1975-76 High	1975-76 Low
192.41	189.99	205.61 (15/7)	136.63 (2/1)

COMBINED INDEX

Jan. 23	Jan. 22	1975-76 High	1975-76 Low
185.94	184.98	196.00 (12/7)	159.63 (2/1)

JOHANNESBURG

	Jan. 23	Jan. 22	1975-76 High	1975-76 Low
Industrials	216.6	217.2	236.9 (16/7)	183.2 (23/1)
Golds	201.4	200.2	379.1 (2/1)	199.2 (9/12)

(1958=100.) Source: Rand Daily Mail.

MELBOURNE YIELDS

Av'ge yield on 50 Leading Stocks	Jan. 22	Jan. 15	Jan. 8
On Dividends	6.44	6.56	6.54
On Earnings	8.99	7.21	7.20

SYDNEY ALL ORD. INDEX

Jan. 23	Jan. 22	High 1975-6	Low 1975-6
472.06	468.73	472.06 (23/1/76)	282.88 (9/1)

TOKYO NEW SE INDEX

Base=100 January 4, 1968.

Jan. 23	Jan. 22	High 1975-6	Low 1975-76
337.52	336.02	341.57 (16/1/76)	268.24 (10/1)

HONG KONG INDEX ⊕

Jan 23	Jan. 22	High 1975-6	Low 1975-6
386.85	383.75	390.22 (19/1/76)	160.42 (9/1)

SINGAPORE INDEX §

Jan. 23	Jan. 22	High 1975-6	Low 1975-6
261.89	260.85	268.69 (11/3)	153.86 (2/1)

EUROPE

	Jan. 23	Previous	1975-6 High	1975-6 Low
Belg'm (a)	110.22	109.67	111.31 (15/1)	69.37 (2/1)
Denm'k (b)	106.77	107.02	107.02 (22/1/76)	75.06 (13/1)
France (d)	70.5	69.6	72.6 (22/4)	51.70 (2/1)
Germ'y (e)	777.6	766.5	787.0 (9/1/75)	675.5 (2/1)
Holland (f)	99.4	98.7	107.6 (6/5)	85.2 (2/10)
Italy (g)	69.16	67.70	102.25 (21/2)	76.41 (17/10)
Spain (h)	95.46	95.70	110.36 (22/4)	91.85 (19/9)
Sweden (k)	396.80	397.42	409.81 (12/11)	310.56 (9/1)
Switz'rl'd (m)	[illegible]	290.0	297.7 (15/1/76)	205.5 (2/1)

Indices and base dates (all base values 100):— (a) Belgian S.E. 31/12/63. (b) Copenhagen S.E. 1/1/73. (d) Paris Bourse 1961. (e) Commerzbank December 1953. (f) Amsterdam Industrial 1970. (g) Milan 2/1/73. (h) Madrid S.E. 31/12/74. (k) Stockholm Industrial 1/1/58. (m) Swiss Bank Corp. 31/12/58. (u) Unavailable. ⊕ Hang Seng Bank 31/7/64. § Straits Times 1966. (c) Closed. * Adjusted.

AUSTRALIAN WEEKLY LIST

[illegible]

† Buyer. ‡ Seller.

TEL AVIV STOCK EXCHANGE

[illegible]

Source: Bank Leumi Le Israel, Tel Aviv.

HONG KONG

[illegible]

† Buyer. ‡ Seller. n nominal. xd ex-div.

SINGAPORE STOCKS

[illegible]

† Bid. ‡ Seller.

I.G. INDEX

GOLD 127-130

CORAL INDEX

Close 400-405

JOHANNESBURG

MINES

[illegible]

INDUSTRIALS

[illegible]

CANADIAN WEEKLY LIST

[illegible]

† Bid. ‡ Asked.

AUSTRALIA

Jan. 23	Aust. $	+ or —
[illegible]		
North Broken Hill	†1.63	+0.18
Oakbridge	†0.69	+0.01
Oil Search	‡0.26	......
Pioneer Concrete	†1.30	+0.05
Reckitt & Colman	†3.0	......
H. C. Sleigh	†0.65	......
Southland Mining	†0.33	+0.01
Stocks & Holdings	†3.35	......
Tooth ($1)	†1.60	−0.08
Waltons	‡1.56	......
Western Mining (50 cents)	‡1.54	......
Woolwich	†1.26	−0.02

AMSTERDAM

Jan 23	Price Fls.	+ or —	Div. %	Yld. %
Ahold (Fl.20)	108.5	+2	18	3.5
Akzo (Fl.20)	46	+1.5	20	
Algem Bnk (Fl.100)	300	+1	40	6.7
AMEV (Fl.10)	58.5	+0.5	30	10.3
Amro Bank (Fl.20)	79.8	+0.6	20	5.0
Van Berkels (Fl.50)	118	+1	15	6.2
[illegible]				

OVERSEAS SHARE INFORMATION

NEW YORK

1975-76 High	Low	Stock	Jan. 23
10	5¼	Addressograph	10
29	18	Aetna Life & Cas.	24¾
[illegible]			
55	28⅞	Corning Glass	53
49⅜	32⅝	CPC Int'nation'l	47⅜
60¾	26½	Crane	60
26	14⅞	Crocker Nat.	23
42	24⅛	Crown Zellerbach	42
[illegible]			
26⅞	19	Johns Manville	25⅞
99	72¼	Johnson Johnson	89⅝
15⅜	8	Johnson Control	14⅜
44½	21⅜	Joy Manufactur'g	39½
33¾	12⅝	Kaiser Alumin'm	29
[illegible]			
3⅛	1¼	Reading	[illegible]
35¼	22⅝	Republic Steel	32⅛
80½	58½	Revlon	78⅜
31⅞	14⅝	Reynolds Metals	31⅞
66¼	49½	Reynolds R. J.	66¼
[illegible]			

CANADA

Investment premium based on $2.60 per £1—114% (113¾%)

[illegible]

GERMANY ♦

[illegible]

MILAN

[illegible]

SWITZERLAND ♦

[illegible]

PARIS

[illegible]

COPENHAGEN

[illegible]

STOCKHOLM

[illegible]

VIENNA

[illegible]

BRUSSELS

[illegible]

SPAIN ♥

[illegible]

TOKYO ¶

[illegible]

Source Nikko Securities Tokyo.

OSLO

[illegible]

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax. [illegible]

AUTHORISED UNIT TRUSTS

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

REGIONAL MARKETS

FINANCIAL TIMES STOCK INDICES

	Jan. 23	Jan. 22	Jan. 21	Jan. 20	Jan 19	Jan. 16	A year ago
nt Secs.	65.10	62.36	62.50	62.89	63.04	63.27	57.49
rest	62.22	62.03	62.22	62.37	62.47	62.50	56.95
Ordinary	399.6	389.5	388.4	396.2	394.7	403.2	217.0
	221.4	212.1	205.0	197.1	202.7	209.8	299.0
Yield %	5.27	5.56	5.33	5.29	5.31	5.22	9.07
Yld % (full)	15.09	14.95	15.05	14.75	14.82	14.55	26.27
(net)	9.76	9.81	9.76	9.94	9.89	10.08	5.29
marked	7,865	7,245	8,778	8,135	8,163	8,360	12,335
rnover £m	—	89.13	72.65	66.81	72.91	87.21	158.20
rgains total	—	16,794	17,197	17,696	21,500	20,551	33,456

10 a.m. 393.3. 11 a.m. 397.4. Noon 399.1. 1 p.m. 398.9. 2 p.m. 398.9. 3 p.m. 398.2.
Latest Index 01-246 8026.
(a) Based on 52 per cent. corporation tax. (b) Nil=9.65.
100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold 1/9/55 SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1975/6 High	1975/6 Low	Since Compilation High	Since Compilation Low
	63.27 (16/1/76)	49.18 (3/1/75)	127.4 (9/1/35)	49.18 (3/1/75)
	62.50 (16/1/76)	50.03 (3/1/75)	150.4 (28/11/47)	50.53 (3/1/75)
	405.5 (15/1/76)	146.0 (6/1/75)	643.6 (19/5/72)	49.4 (26/6/40)
	442.3 (22/?/75)	197.1 (20/1/76)	442.3 (2?/?/75)	43.5 (28/10/71)

S.E. ACTIVITY

—	Jan. 23	Jan. 22
Daily—		
Gilt-Edged	209.3	189.9
Industrials	263.5	244.4
Speculative	103.7	72.5
Totals	179.0	164.9
5-day Av'r'ge		
Gilt-Edged	210.7	212.3
Industrials	278.3	285.1
Speculative	81.3	74.5
Totals	182.9	185.2

FT—ACTUARIES INDICES

—	Jan. 23	Jan. 22	Jan. 21	Jan. 20	Jan. 19	Jan. 16	A year ago
al Group	158.75	156.15	156.52	158.02	158.44	160.91	85.73
	173.91	171.09	171.25	173.02	173.65	175.91	92.23
ld pc	5.36	5.45	5.44	5.39	5.37	5.30	9.08
(net)	10.00	9.85	9.86	9.96	10.01	10.14	8.36
es	167.70	164.93	165.09	166.78	167.20	169.29	91.29
Yield pc	13.70	13.89	13.88	13.78	13.78	13.67	14.61

BASE LENDING RATES

International 10½%
d Irish Banks Ltd. 10½%
o-Portuguese Bank 10½%
ry Ansbacher ...... 11 %
o de Bilbao......... 10½%
o de Jerez 11½%
k of Cyprus .... 11 %
k of N.S.W. 10½%
que du Rhone S.A. 11 %
lays Bank 10½%
nett, Christie Ltd.... 12 %
nar Holdings Ltd. 12 %
. Bank of Mid. East 10½%
wn Shipley .... 11 %
ter, Bowater Co. Ltd. 11 %
ar Holdings .... 11 %
rterhouse Japhet ... 11 %
E. Coates .... 11 %
solidated Credits... 12 %
perative Bank *10½%
inthian Securities... 10½%
dit Lyonnais 10½%
R. Dawes 11½%
off Brothers ...... 12 %
ncan Lawrie .... 11 %
glish Transcont. 11½%
n London Secs....... 10½%
ony Gibbs 10½%
de Durrant Trust... 11 %
yhound Guaranty... 10½%
ndlays Bank 10½%
nness Mahon......... 10½%
nbros Bank 10½%
rtin & Partners ... 13 %
l Samuel ....§10½%
Hoare & Co. ....†10½%
Julian S. Hodge 11½%
Industrial Bank of Scot. 10½%
Keyser Ullmann ...... 11 %
Knowsley & Co. Ltd. ... 12½%
Lloyds Bank 10½%
London & European ... 11½%
London Mercantile ... 11½%
Midland Bank 10½%
■ Samuel Montagu......... 10½%
■ Morgan Grenfell 10½%
National Westminster 10½%
Northern Comm. Trust 11 %
Norwich General Trust 11 %
Portman Guaranty...... 11 %
P. S. Refson & Co. 10½%
Rossminster Accept'cs 10½%
Schlesinger Limited ... 11½%
E. S. Schwab .... 12 %
Security Trust Co. Ltd. 12 %
Shenley Trust 12½%
Standard Chartered ... 10½%
Sterling Credit .... 12 %
Thames Guaranty ...... 11 %
Trade Development Bk. 10½%
Twentieth Century Bk. 12½%
United Bank of Kuwait 10½%
Whiteaway Laidlaw ... 11 %
Williams & Glyn's ... 10½%
Yorkshire Bank 10½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 8½%, 1-month deposit 8¾%.
† 7-day deposits on sums of £10,000 and under 8½%, up to £25,000 7½% and over £25,000 7¾%.
§ Demand deposit 8%.

THE JOBS COLUMN

Lowndes's Fork continued

BY MICHAEL DIXON

JUDGED by the inflow of letters a large number of readers are suffering from the career paradox discussed in this column last week under the name "Lowndes's Fork."

The title, as I said then, refers to the painter Alan Lowndes who for years was trapped in the situation where the art establishment would not recognise him because he hadn't had a proper exhibition, and would not give him an exhibition because he hadn't been recognised.

Apparently the variant of the paradox most common in big company life is the trap of departmentalism. Several readers have complained about being effectively forced to concentrate on one specialism — such as finance—so as to rise far enough up the hierarchy to be eligible for the move to general management, only then to be denied the desired move because all their experience has been in a particular specialism.

Naturally, most of the letters ask for advice on how to get out of this kind of trap. But although it may be possible that somebody will write in with the required knowledge, I certainly do not possess it. Nor for that matter does Alan Lowndes himself.

He has written pointing out that I was wrong to suggest that the Fork was a problem at only one stage of his career.

Long before he could think about having a one-man exhibition, he says, he had to sell enough paintings to support himself. To sell the paintings he had to raise enough money to have them decently framed. The only way to raise the money was to sell the paintings.

And at the end of it all, he adds, a further variant of the paradox is still bothering him. Because the prices of his paintings have risen, dealers sell fewer of them. So the dealers want him to sell the paintings to them more cheaply.

THE NOBLE LOWNDES (no relation) personal financial services division is seeking a number of senior consultants to help in increasing its life assurance business. The jobs, based at branch offices, are for people fully capable of dealing with all basic classes of life assurance. The recruits will also have to deal with capital transfer tax and various investment problems although, in the more complicated situations, expert support will be made available by the company, which is part of the Hill Samuel Group. Earnings, I gather, should be at least my £4,000 "floor price." Inquiries to Mr. J. L. McKirdy at PO Box 144, Norfolk House, Wellesley Road, Croydon CR9 3EB—tel. 01-868

TIM HODDER, of the Frizzell Group, is looking for a managing director for the Norman Frizzell U.K. broking company which handles all the group's non-marine commercial and industrial insurance business in this country.

Norman Frizzell U.K. has about 150 employees and its portfolio ranges from little family businesses to big well-known companies. An immediate task for the incoming M.D. will be to get the company's management systems into the shape required for an expansion of its business, which will then become a major concern of the job.

Candidates must have a high level of professional knowledge and have been successful in running an insurance operation, preferably with a recognised broking organisation. The age range for this London-based job is about 40. The salary is about £10,000.

Inquiries to Mr. Hodder, who is group personnel manager, at Frizzell House, 14-22 Elder Street, London E1 6DF — Tel. 01-247 6595.

ONCE AGAIN we have news of various openings in the public services. Inquiries, quoting the appropriate reference number, should be made to the Civil Service Commission (Alencon Link, Basingstoke, Hants RG21 1JB—Tel. Basingstoke 68551 or, for answering service only, 01-839 1992.

Work in London, or the Middle East, or Nairobi, or Blantyre, or Barbados, or Bangkok is available with the Ministry of Overseas Development. The jobs are in the teams of specialist advisers responsible for seeing that the agricultural aspects of the U.K.'s overseas aid programme meet the professional and technical needs of the developing countries concerned. The basic salary range for these agricultural advisers is £9,110-£10,269, for which the main qualification is successful experience in agricultural development overseas. Appropriate degrees would help. Reference S/9145.

Medical practitioners are wanted for several £11,465 London-based posts in the Department of Health and Social Security's division dealing with policy on the chemical contamination of food and the pollution of the environment. For one of the jobs, experience in industry will be an advantage. For all of them, so will be experience in biochemistry and chemistry, morbid anatomy, histopathology, haematology or pharmacology. Ref. S/9229.

The Department of Health and Social Security is also offering a £7,430-£8,225 salary scale for a nursing officer to be occupied mainly in advising on the development of the primary health care nursing services, including health visiting and home nursing. Candidates must be experienced State Registered Nurses and should have first-hand knowledge of the services concerned. Ref. G/9228.

Savings decline at last in December

By Donald Maclean

NATIONAL SAVINGS suffered their first net withdrawals of 1975 in December, when they were £70.5m. greater than receipts, if undistributed interest is excluded, according to preliminary estimates.

The withdrawals were substantially seasonal, affecting the savings banks in particular. Net repayments by the National Savings Bank were £20.8m., against £13.7m. in the previous December, while the Trustee Savings Banks suffered net withdrawals of £58.8m., compared with £26.6m.

The Trustee Savings Bank comparison of figures for December last with those for December, 1974, is however, obscured to some extent by the fact that the accounting periods used for the December estimates are not constant in relation to the end of the Banks' financial year (November 20).

The increase in withdrawals from the Trustee Banks more than accounts for the increase in withdrawals from the National Savings movement as a whole—the movement's total of £70.5m. comparing with one of £42.9m.

Over the calendar year 1975, there was, in spite of the falling back in December, a net national savings intake of £253.2m., whereas in 1974, there was a net outflow of £217.8m.

After accrued interest is taken into account the amount invested in the movement was provisionally £11.310bn. at the end of 1975, compared with £10.629bn. at the end of 1974.

The outstanding investment includes £225m. placed in the securities linked to the cost of living, which were introduced in the summer. Index-linked National Savings Certificates available to those of national retirement age, attracted net investment of £210.7m. between their introduction in June and the end of the year, while the index-linked Save As You Earn Scheme, on offer since July, had by the end of the year attracted £13.4m.

	Apr.-Dec. 1975/6♠		Apr.-Dec. 1974/75	
	R'cpts	Re-pay-ments	R'cpts	Re-pay-ments
	£m.	£m.	£m.	£m.
Savings Cert*	453.1	314.2	235.3	274.7
Save as you Earn:				
Dpt. Nat. S.	26.8♠	10.6	21.2	8.8
T. S. Banks	14.1	6.5	16.7	5.6
Total SAYE	40.9	17.1	37.9	14.4
Br. Sav. B'nds & Nat Dev B'ds	84.6	84.5♠	95.1	170.4♠
Premium B'ds	93.8	53.6	85.2	56.5
Nat. S. Banks:				
Ord. accs.	394.4	458.2	391.0	452.5
Inv. accs.	77.0	78.8	66.3	81.5
Total N.S.B.	471.4	537.0	457.3	534.0
Trustee B'nks				
Ord. Dept.	2,446.2	2,456.6	2,189.6	2,099.1
Sp. Inv. Dps	560.0	568.9	385.6	460.8
Current accs.	806.3	755.3	385.9	377.6
Total T.S.B.	3,812.5	3,800.8	2,911.1	2,937.5
Total	4,967.3	4,807.2	3,821.9	3,997.3‡
Net Savings	+160.1		—185.4	
Est. Acc'd Int.	382.9	—	332.2	—
Int. on Certs.	—	95.1	—	94.6
Int./bonus paid on SAYE	—	2.9	—	2.0
Total	5,350.2	4,906.2	4,154.1	4,083.5
Ch'nge in sum remaining Invested	+422.0		+70.3	

♠ Estimated for 39 weeks. * Includes index-linked issue receipts of £211.5m. and repayments of £0.8m. ♠ Includes index-linked contracts £13.4m. ♣ Includes £32.6m. bonds paid off on maturity. ♣ Includes £22.2m. bonds paid off on maturity. ‡ Includes bonds repaid on maturity.

FT GROCERY PRICES INDEX: 208.33

Potatoes weighty items in January shopping basket

BY DONALD MACLEAN

GROCERY PRICES have risen sharply this month, according to the Financial Times grocery prices index, which has gained 6.43 points to 208.33—an increase of about 3.2 per cent.

A major factor has been dearer potatoes. Reports from 11 centres around the country show increases commonly of 2p a pound in the price of potatoes, an item which carries considerable weight in the Financial Times index.

Increases in fruit and vegetable prices generally, with potatoes playing the major part, account for over two-thirds of the rise in the cost of the FT shopping basket—accounting for £13.36 out of the £18.99 increase.

Helping to restrict the rise in the index has been the recent reduction in the price of eggs—also a major component of the FT basket. Shoppers for the FT report cuts of up to 8p to 10p per dozen.

As a result, the overall dairy produce category has produced a fall approaching 3 per cent. in total cost—sufficient, with the rise in fruit and vegetable prices, to mean that it has been overtaken by the latter grouping as the second largest category in the basket (after meat, bacon etc.).

In two months, the cost of dairy produce in the FT basket has been reduced by £1.65 to £103.53, while the cost of fruit and vegetables has risen £24.29 to £103.56.

A particularly important aspect of the index in this text is that it makes no [illegible] ance for any tendency for [illegible] sumers to steer away from [illegible] chases of potatoes duri[ng a] phase of relatively high pr[ices].

Behind the recent rise [in the] price of potatoes, which [has] been a matter of concer[n to] the European Economic [Com]munity, has been a poor ha[rvest].

On the egg front, cu[ts in] prices have been made as [a result] of post-Christmas moves t[o cut] back stocks. Prices are exp[ected] to swing up again this wee[k].

Adding to the strength [of the] rise in the fruit and veg[etable] sector were substantial incr[eases,] generally upwards of 5p a [lb.,] in the cost of tomatoes.

FINANCIAL TIMES SHOPPING BASKET

	Jan., 1976 £	Dec., £
Dairy Produce	103.53	106.
Sugar, Tea, Coffee, Soft Drinks	46.59	44.
Bread, Flour, Cereals	65.65	64.
Preserves and Dry Groceries	23.25	21.
Sauces and Pickles	11.42	11.
Canned Goods	38.88	39.
Frozen Foods	32.20	31.
Meat, Bacon, etc. (fresh)	144.23	142.
Fruit and Vegetables	103.56	90.
Non-Foods	46.40	44.
Total	615.72	596.

INDEX

1971: Feb. 100; Mar. 101.09; April 102.73; May 105.75; June [illegible] July 107.24; Aug. 105.40; Sept. 105.26; Oct. 104.35; Nov. [illegible] Dec. 108.26.

1972: Jan. 109.18; Feb. 109.10; Mar. 109.24; April 108.04; May [illegible] June 115.97; July 111.97; Aug. 113.40; Sept. 112.14; Oct. [illegible] Nov. 11: 114.48; Nov. 18: 114.49; Nov. 25: 114.72; Dec. 2: [illegible] Dec. 9: 114.75; Dec. 16: 115.77.

1973: Jan. 117.56; Feb. 119.25; Mar. 120.53; April 123.80; May [illegible] June 128.81; July 127.64; Aug. 126.59; Sept. 129.39; Oct. [illegible] Nov. 135.83; Dec. 138.26.

1974: Jan. 141.41; Feb. 141.52; Mar. 142.66; April 8: 143.23; Ap[ril] [illegible] 142.64; May 145.17; June 147.97; July 146.22; Aug. 145.25; [illegible] 147.6; Oct. 150.5; Nov. 156.39; Dec. 159.15.

1975: Jan. 162.84; Feb. 167.77; Mar. 173.50; April 178.39; May [illegible] June 193.02; July 188.45; Aug. 189.23; Sept. 186.64; Oct. [illegible] Nov. 194.78; Dec. 201.90.

1976: Jan. 208.33.

The index is based on the prices paid by 11 shoppers [around] the country. The shopping was done in supermarkets and indep[endent] grocers.

WEEK'S FINANCIAL DIARY

..e following is a record of the principal business and financial engagements during the ... The Board meetings are mainly for the purpose of considering dividends and official indications ... available whether dividends concerned are interims or finals. The sub-division shown below ... mainly on last year's time-table.

TO-DAY
..NY MEETINGS—
..nd Smithers, 55, Moorgate, E.C., ..
..ber, Melksham, Wiltshire, 12
.. Screw, Edgbaston, Birmingham, ..
.. Leeds, 11
.. MEETINGS—
..)
..notank
..
.. Construction Equipment
..END & INTEREST PAYMENTS—
..ntl. 0.8275p
..oft Drinks 2p
..ber 1p
..rs 0.665p
..and Hallamshire Ord. and A ..45217p
..y Estates 1.45p
..ickolls and Coombs 0.7255p
.. Prop. Corp. 1.25p
..cic 40 cts.
..1.87587p
..ervices 1p
..bert) 1.1p
..V. H.) A Ord. 2.81p.. B Ord.
.. Gen. Inv. 0.85p
.. Credit 0.6p
.. Ln. 7¾pc 85-88 3⅞pc. 7¾pc 12-15 3⅞pc
.. Stk. 7¾pc 85-88 3⅞pc. 7¾pc 112-15 3⅞pc
..538p

TO-MORROW
..NY MEETINGS—
..s Brewery, Birmingham, 12.15
.. Abercorn Rooms, E.C., 12
.. MEETINGS—
..fang. and Trading
.. Paint and Wallpapers
.. Universal
..
..nl.
..s Pharm.
..END & INTEREST PAYMENTS—
..nd Smithers 9.5p and 2.5p
..arrington 2.593062p
..d Fenn 1p
.. (Plant Hire) 0.325p
.. Screw 0.385p
..s Brew. 1.589747p
..L 1.187p
..s 0.9295p
.. 2.94p
..-on-Sea 5¼pcBds. Red. 77-79

..DNESDAY, JANUARY 28
..ANY MEETINGS—
.. Stockholders Investment Trust, ..ter House, E.C., 10.45
..ent Agency and Music, Hendon ..el, N.W., 12
.. Heenan International, Connaught .. W.C., 12
.. House Investments, 14, St. Mary ..C., 11.30
.. MEETINGS—
..xtile
..Permoglaze
.. and Elliott
..r Inv.
.. Machinery .. Tst.
..
.. James) Steel
..eter)
.. and Gen. Inv. Tst.
..END & INTEREST PAYMENTS—
..ral Mtg. Corp. 7¼pcBds. Red. .. 3⅝pc
..N.) Invs. 0.825p
.. Imp. Bank of Commerce 32 cts.
.. Pacific 43.5 cts. Pf. 2pc.
..
.. Pacific Pf. and Pf. (Interchange..ans.) 1pc
..td Props. 0.7p and 0.09693p
..lon 5.2p
..d Robbins 1.547p
.. 12pcBds. Red. 28/1/78 £6.1973
..Montague L.) 0.9p
.. Warwickshire 12pcBds. Red. .. £6.1973
..and Wright 1.067p
.. 7½pcBds. Red. 28/7/76 3[illegible]pc
..0.66p
.. Inds. 4p
.. Dominion Bank 17.5 cts.
..ed Arnold 0.56306p
.. 7½pcBds. Red. 28/7/76 3[illegible]pc
.. Construction 2.575p

..HURSDAY, JANUARY 29
..ANY MEETINGS—
..se (J.), West Bromwich, 12
..idland Construction, Nottingham,
..lovis McDougall, Royal Festival .. E., 12
.. St. Ermin's Hotel, Caxton .. S.W., 12
.. MEETINGS—
.. Sugar Corpn.
..Y. J.)

Plastics Constructions
Vereeniging Refractories
Interims:
Allen (W. G.) (Tipton)
Daejan
Dixon (David)
Kamunting Tin Dredging
Manson Finance Tst.
Midland Tst.
DIVIDEND & INTEREST PAYMENTS—
Bank of Nova Scotia 40 cts.
Bremner 1p
Crosby House 4p
De Beers Consol. Mines Pf. (Reg.) 20pc. Pf. (Br.) 20pc. Pf. 4pc
Elsburg Gold Mining 20.8 cts.
Harris (Philip) 1.3p
Holyrood Rubber 4.11p
Hongkong (Selangor) Rubber 0.17p.
Jacksons Bourne End 1.05p
Normand Electrical 0.8663p
North Midland Construction 0.66p
Northern Irish and Scottish Inv. Tst. 0.55p
Otis Elevator 55 cts.
Ransome Hoffmann Pollard 1.938125p
Rediffusion T.V. 5.95pcPf. 2.975pc
Rothmans Intnl. B Ord. 0.6p
Tamworth 12¼pcBds. Red. 2/2/77 6⅛pc
Tiger Oats and Nat. Milling Pf. 2¼pc
Tunnel B Ord. 2.7142p
Western Areas Gold Mining 32 cts.

FRIDAY, JANUARY 30
COMPANY MEETINGS—
Chemring, Portsmouth, 12
Williams (John) of Cardiff, Cardiff, 12
BOARD MEETINGS—
Finals:
Intereuropean Props.
Interims:
Brown (John)
Fitch Lovell
Wholesale Fittings
DIVIDEND & INTEREST PAYMENTS—
Allebone Lns. 3½ and 3½pc (Ptly. Cnv.)
Allied London Props. Ln. 3pc
Australia and New Zealand Banking 5p
Bank of New South Wales 14 cts.
Bell and Sime 0.875p
Brascan Class A Conv. 25 cts.
Browning-Ferris Incs. Inc. 5 cts.
Carclo Engng. 1.2065p
Chapman (Balham) 1.478p
Crellon 1.005p
Croda Food Ingredients 8pcPf. 2.8pc
Davies and Newman 2.180035p
Doranakande Rubber Ests. 0.1675p
Dow Chem. 40 cts.
Edbro 1.65p
Empire Plantations and Invs. 0.1p. 5pcPf. 1.75pc
English Card Clothing 0.8p
Equity Consort Inv. Tst. 1.95p
Finance For Ind. 13pcUnsec.Ln. 1981 6½pc
Greenwood and Batley (temp. susp. 5/6/75) 1.985p
Hardy (Furnishers) Ord. and A Ord. 1.155p
Hepworth (J.) 6pcPf. 2.1pc. 7pcAPf. 2.45pc. 10pcBPf. 3.5pc
Heywood Williams Ln. 4pc
Hunslet Db. 3¼pc
Inch Kenneth Kajang Rbr. 0.325p
Kalamazoo Ln. 4¼pc
Lister 1.575p
Liverpool (City of) 13½pc Stk. 1981 £4.23
London and Liverpool Tst. 0.13p
London Asiatic Rubber and Produce 0.40218p
Midland Cattle Products 5pc
Oil and Assoc. Inv. Tst. 0.56875p
Pahang Cons. Pf. 3½pc
Parker Knoll Db. 4½pc
Pauls and Whites 1p
Pegler-Hattersley 2.55p
Phoenix Mining and Finance 1.5p
Ranks Hovis McDougall 1.58822p
Renold 2.5p
Russell (Alexander) 1.038p
Sainsbury (J.) 1.65p
Samuel (H.) Ord. and A 1p. 6pcPf. 2.1pc
Scapa 1.7p
Shanks Db. 3⅝pc
Singlo 0.14p. 6½pcPf. 2.275p
Standard and Chartered Bank 6.75p
Tanganyika Concessions 9pcPf. 4.5pc
Tecalemit Db. 2⅝pc
Telephone and Gen. Tst. 7pcPf. 2.45pc
Tor Inv. Tst. Dbs. 2 2½ and 2¼pc
Transamerica Corp. 15.5 cts.
Triplex Foundries 1.28p
Westbrick Products 1p
Western Ground Rents Db. 1⅝pc
Westpool Inv. Tst. Dbs. 2½ and 2⅞pc
Whessoe 1.625p
Wolseley-Hughes Dbs. 3½ and 5pc. 6pcPf. 2.1pc
Wyatt (Woodrow) 1.13p

SATURDAY, JANUARY 31
DIVIDEND & INTEREST PAYMENTS—
Alliance Prop. Ln. 4¼pc
Alliance Trust Db. 2⅝pc
Allied Polymer Lns. 5 (ptly 78-81). 5pc (78-81)
Anglo Welsh Invest. Tst. 12½pcPf. 4.375pc
Assoc. Fisheries Ln. 4¼pc
Beattie (James) 6pcPf. 2.1pc
Bentalls 5½pcPf. 1.925pc
Berger Jenson Nicholson Ln. 5pc
Bishopsgate Trust 5pcPf. 1.75pc
Bolton Textile Mills Ln. 2¼pc
Border and Southern Stockholders Trust 5pcPf. 1.625pc
British Dredging Ln. 4pc
British Petroleum 8pcPf. 2.8pc. 9pcPf. 3.15pc
Carliol Inv. Tst. Ln. 2¼pc

Central Mtg. and Trading Ln. 4pc
Clyde High Income Fund Income 1.7p
Combined English Stores 7¾pcPf. 2.7125pc
Cook and Watts Ln. 4⅛pc
Country and New Town Props. Ln. 3½pc
Decca Ln. 3pc
Derby 5¼pcRed. 75-77 2⅝pc. 13¼pcRed. 1982 £4.0636
Drayton Commercial Inv. 4pcPf. 1.4pc. Debs. 1½, 2, 2½, 2¼ and 2½pc
Duport Debs 2½ and 3pc
Dykes (J.) 0.55p. 8pcPf. 2.8pc
Elswick-Hopper 0.3p
English and Scottish Investors Debs. 2, 2½ and 3¼pc
English Electric Db. 2¼pc
Essex Water 3.5pc (fmly. 5pc) Pf. 80-81 1.75pc. 4.2pc (fmly. 6pc) Pf. 2.1pc. 3.5pc (fmly. 5pc) Pf. 1.75pc. 2.45pc (fmly. 3½pc) Pf. 1.225pc. 3.85pc (fmly. 5½pc) Pf. 81-83 1.925pc. 3.5pc (fmly. 5pc) Pf. 72-77 1.75pc. 3.15pc (fmly. 4½pc) Pf. 73-78 1.575pc. 4.025pc (fmly. 5¾pc) Pf. 77-79 2.0125pc. 3.15pc (fmly. 4½pc) Pf. 80-82 1.575pc. 4.025pc (fmly. 5¾pc) Pf. 86-88 2.0125pc. 4.2pc (fmly. 6pc) Pf. 84-86 2.1pc. 3.5pc (fmly. 5pc) 1.75pc. 2.45pc (fmly. 3½pc) Pf. 1.225pc.
Eva Ind 1.3125p
First Scottish Amer. Tst. 5pcPf. 1.75pc. Ln. 2½pc
Gale Lister Ln. 5pc
Garnar Scotblair Ln. 4½pc. Ln. £1.6274
Gieves 5pc A and B Pf. 1.75pc
Glanfield Securities 7½pcPf. 2.625pc
Glendevon Invest. Tst. Db. 5.3pc
Gomme 7pcPf. 2.45pc
Guildhall Property Db. 3⅞pc
Hambros Inv. Trust Db. 3⅛pc
Heinz (H. J.) Dbs. 2¼ and 3pc
Hewden-Stuart Plant. Ln. 3½pc.
Hopkinsons 7pcPf. 2.45pc
House of Fraser 4½pcPf. 1.575pc. 5½pc Pf. 1.925pc. 7½pcPf. 2.625pc. Lns. 3 and 4⅛pc
International Bank for Reconstruction and Devlpmt. 8pc 1976 4pc
International Inv. Tst. Db. 2½pc. Db. 3⅛pc
"Investing In Success" Equit'es Db. 2⅞pc
Jenks (A. E.) and Cattell 5½pcPf 1.925pc
Johnson and Firth Brown 11.05pcPf. 4.8944pc. Ln. £5.83. Ln. (Ptly. Cnv. 1982) 5.83. Ln. £6.42.
Johnson-Richards (H. and R.) Tiles 5pcPf. 1.75pc
Kent 5½pcRed.Stk. 74-78 2¾pc
Lake and Elliot 6pcPf. 2.1pc
Land and House Prop. Corp. Db. 5¼pc
Lennons Bros. 6pcPf. 2.1pc
Lewis (John) Props. Db. 4½ and 5pc.
Liberty 6pcPf. 1.85pc. Db. 3½pc
Linread Ln. 4pc
London and Lomond Inv. Tst. 4¼pcPf. 1.4875pc. 5¼pcPf. 1.8375pc
Macdonald Martin Distillery 5½pcPf. 1.925pc
McKechnie Bros. 6pcPf 2.1pc
Marley 6½pcPf. 2.275pc. Db. 3½pc
Melbray 7pcPf. (Temp. susp. 29/4/75) 2.45pc
Mercantile Inv. Tst. Db. 2¼pc
Metropole Industries 7¾pcPtg.Pf. 6.9125pc
Monk (A.) 1.25p
Morris (B. O.) 5pc Pf. 1.75pc
Nash (J. F.) Securities 5pcPf. 1.75pc
Osborn (Samuel) Db. 3⅞pc
Owen Owen 6½pcPf. 2.275pc. Db. 3½ and 3½pc Ln. 3½ and 4pc
Press (William) Ln 4pc
Raleigh Inds. Db. 3pc
Reed International Db. 2⅞pc
Riley (Robert) 7½pcPf. 2.4375pc
River Plate and General Trust Db. 2¼pc
Sale Tilney 5pcPf. 1.75pc
Smith and Nephew Assoc. 5½pcPf. 1.925pc
Smiths Industries Db. 3¼ and 5⅞pc. Lns. 3¼ and 4pc
Sony Corp. 7.5 Yen. European Depositary Rcpts. 7.5 Yen
Spillers 6pcPf. 2.1pc
Star Great Britain Db. 3pc
Sterling and Dollar Areas Inv. Tst. Proposed Redemption of the 4½pcDb. at £110pc together with 2¼pc.
Tarmac Ln 4⅝pc
Teacher Distillers 5pc
Thorn Electrical Inds. Ln. 2½pc
Throgmorton Secured Growth Tst. Db. 3[illegible]pc
Throgmorton Tst. 7¼pcPf. 2.35625pc. Dbs. 3 & 3¼pc (82-87)
Tootal Ln. 3⅞pc
Transalpine Finance S.A. 6¾pcLn. 3⅜pc
Tricentrol Ln. 3½pc
Trust Houses Forte Db. 3.75pc
Tyneside Inv. Tst. Ln. 2¼pc
Tysark (W.) and Turner 7½pcPf. 2.625pc
UDS Ln. 3½pc
U.S. Rubber Uniroyal S.A. 6pc Stlg. Deutsche Mark Gtd. Ln. of 1965 3pc
Vaux Breweries Dbs. 2½ 3 3¼ and 3⅝pc
Warwick Eng. Invs. Ln. 5pc
Whites (Timothy) Ln. 4pc

SUNDAY, FEBRUARY 1
DIVIDEND & INTEREST PAYMENTS—
Aberdeen Corpn. Gas Anns. 12.5p
Alliance Inv. Tst. Db. 3pc
Aquascutum and Assoc. 7½pcPtg.Pf. 2.625pc
Birmingham 7¼pcRed. 1980-82 3⅝pc. 9¼pcRed. 1979-81 4⅝pc
Bristol 6½pcRed. 1975-77 3¼pc
British Guiana 3pc 1975-80 1½pc
Caledonia Invs. Db. 3pc
Chilean 6pc (now 3pc) Bds. 1926 (Assd. 1948) 3pc

City Investing 16.5 cts. Series B Pf. 50 cts.
Colonial Secs. Tst. 5pcPf. 1.75pc
Consolidated 4pc Ln. 2pc
Cooper-Taymil 7pcPf. 2.45pc
Daniell Brews. Db. 2¼pc
Debenhams 6½pcPf. 2.275pc. 7pcPf. 2.45pc
Dover Harbour Board 4¼pc2ndRed.Db. 1978-93 2⅛pc
Drayton Cons. Tst. Perp.Db. 2¼pc
Dudley 9½pcRed. 1979-81 4¾pc
Electric and Gen. Invs. Db. 3½pc
Foreign and Colonial Inv. Tst. Dbs. 2½ and 3⅛pc
Grant Bros. 7½pcPf. 2.625pc
Great Ouse Water Authority 5¼pcRed. 1986-88 2⅞pc
Hawker Siddeley 5½pc 1.7875pc
Hertfordshire 6¼pcRed. 1975-77 3⅛pc. 6¾pcRed. 1985-87 3⅜pc
Imperial Chem. Inds. Ln. 2¼pc
Jamaica 6¾pc 1974-76 3⅜pc
Lewis (John) 5pcPf. 1.625pc. 7pcPf. 2.275pc
Lewis (John) Props. Mt.Db. 2pc
London Land and Prop. Db. 1⅞pc
Newcastle and Gateshead Water Dbs. 2, 2½, 3, 4, 5 and 2½pc (1980-81)
Newcastle-upon-Tyne 6pc Cons. Red. Stk. 1973-76 3pc
Northern Ireland Elect. Service Northern Ireland Elect. 5pcGtd.stk 1975-77 2½pc
Outwich Inv. Tst. 5pcPf. 1.75pc. 6pcPf. 2.1pc. 7¾pcPf. 2.7125pc. Dbs. 2¼, 2¼ and 3¼pc
Plymouth 6½pcRed. 1975-76 3¼pc
Quebec Central Rlwy. Db. 2pc
Romney Trust Dbs. 1½, 1⅞, 2 and 2½pc
Sparrow Hardwick 7pcPf. 2.275pc
Whitbread 4½pc2ndPf. 1.575pc. Db. 1⅞pc
Whitley (B. S. and W.) Db. 3pc
Young Brewery 6pcPf. 1.95pc

RAC warns of parking meter 'purge'

MOTORISTS may lose about 750 parking meter spaces within a mile of Oxford Circus, the Royal Automobile Club has warned.

This would happen if plans by Westminster City Council were approved by the Greater London Council, the RAC said.

As well as replacing parking meters with residents' parking places, Westminster Council intended to raise fees of the remaining meters to a maximum of 30p an hour.

"This is only a start of a very nasty parking purge, since the GLC has repeatedly declared that about 8,000 of the 20,000 parking meters in the central area will be removed as a traffic restraint measure," the RAC said.

This would harm many theatres, restaurants and shops whose clientele used cars.

Home loans position still strong

Financial Times Reporter

BUILDING SOCIETIES entered 1976 in a very strong position with extensive liquid funds, says Mr. Raymond Potter, chairman of the Building Societies Association, in the latest BSA bulletin.

So, even if net receipts fall somewhat, the present momentum of lending can be continued over the months immediately ahead.

"Beyond that, everything depends on the general level of interest rates in the economy. If rates soar as they did in 1973 and continue high, this will have the inevitable effect of reducing the funds available for home-buyers.

"One can only hope that the Government's efforts to control wages and curb inflation will be reflected in more stable conditions generally."

The bulletin also states that in recent months societies have lent some £100m. to potential local authority buyers quite outside the special scheme by which the societies are helping to bridge the gap caused by the curtailment of local authority mortgages.

The societies have promised to make available £117m. for potential borrowers referred to them by local authorities, but so far only £10m. has been approved, although a large volume of further applications is in the pipeline and there seems to be no reason why the full £117m. should not be taken up over the next few months.

Progress on this scheme has been slow, declares the bulletin, because "some local authorities have not put cases forward while others have introduced cases which they must have known the societies would not accept.

"In any event, many borrowers, knowing that building societies had a good supply of funds, short-circuited the local authorities and made direct application to a society."

Romanian Truck group to export to Britain

BY TERRY DODSWORTH

ANOTHER East European motor manufacturing group, Roman Trucks of Romania, is entering the U.K. market. Its range of medium-weight commercial vehicles will be sold by the British concessionaire for MAN, the West German company which is already well-established in the heavy truck sector.

MAN's decision to bring in the Roman range—made under licence from the German company—follows a period in which the build-up of East European imports has been sufficient to cause concern in several sectors of the domestic motor industry.

Products now flowing in from Russian and Warsaw Pact countries range from motor-cycles to cars, small commercial vehicles, heavy road-making equipment and trucks.

Only a few months ago, the Society of Motor Manufacturers and Traders warned that it was keeping a close watch on car imports from this part of the world, which last year showed an increase of almost 50 per cent. More recently "dumping" allegations under GATT regulations were made against UMO, a Russian dump-truck manufacturer.

With the Roman products on stream, MAN Concessionaires, a subsidiary of Tozer Kemsley and Millbourn, will have a much more comprehensive range of vehicles with which to tackle the U.K. market. Overall U.K. truck sales were notably much more buoyant in the medium-weight vehicles last year as against the heavy trucks in which MAN currently specialises.

The Roman trucks, say MAN Concessionaires, will not undercut British-made vehicles in the same weight categories of between 12 and 28 tons but the company makes no secret of the fact that it has chosen the Romanian product rather than the West German, because its prices are more competitive.

Built with engineering and technical support from MAN, the Roman vehicles closely resemble the MAN trucks and incorporate some German and some British components.

MP hits at 'extravagance' of £200,000 Rio flat

THE £200,000 flat in Rio de Janeiro bought for Britain's ambassador to Brazil is an "extravagance" and shows the Diplomatic Service has failed to "catch up with the realities of economic life in Britain," Labour Left-wing MP, Mr. Sidney Bidwell said yesterday.

Mr. Bidwell, last year's chairman of the Tribune Group, was criticising the purchase by the British Government of a spacious penthouse for the occasional use of Sir Derek Dodson. He normally resides 700 miles away in Brasilia, the capital.

Responsibility for spending on foreign accommodation lies with the Department of the Environment's property services agency.

The DoE explained yesterday that when Brazil moved its capital to Brasilia, the British Government sold its old residence in Rio for £2m., several times what it cost. "Rio is one of Brazil's two main commercial centres and the ambassador has to visit the city on business at least once a month."

A Think Tank probe into the Foreign Office and Diplomatic Service at home and overseas ordered by Mr. James Callaghan, the Foreign Secretary, started only a few weeks ago head by Sir Kenneth Berrill, chief of the Central Policy Review Staff.

Concorde bookings for 750 seats

Financial Times Reporter

AT LEAST 86 of the available 100 seats will be filled when British Airways' Concorde takes off for Bahrain to-day. They were booked before the week-end.

More than 750 seats have been sold for the Concorde flights over the next three weeks at £676 return.

The service will be twice weekly, operating to Bahrain on Mondays and Wednesday and back to London on Tuesdays and Thursdays.

Concorde made an unannounced training flight from Heathrow to Fairford on Saturday and the British Airports Authority said there was only one noise complaint.

General Mining Group

COAL MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31 DECEMBER 1975.

All companies mentioned are incorporated in the Republic of South Africa.
(All figures in '000 and subject to audit.)

TRANS-NATAL COAL CORPORATION LIMITED

	Quarter ended 31/12/75	Quarter ended 30/9/75	Comparative Quarter previous year 31/12/74	6 months to 31/12/75
Tons sold				
Coal	4,407	4,539	4,500	8,946
Coke	1	3	2	4
	R(000)	R(000)	R(000)	R(000)
GROUP PROFIT				
Net profit from mining and allied activities	3,410	3,744	3,115	7,154
Less: Interest and sundries	+158	·129	215	+29
Taxation	617	844	661	1,451
Net profit after tax	2,951	2,771	2,239	5,722
Less: Minority interest	290	341	308	631
NET GROUP PROFITS	2,661	2,430	1,931	5,091
CAPITAL EXPENDITURE	3,696	4,507	1,400	8,203

Dividend No. 25 of 4 cents per share was declared on 3/12/75 and is payable on 19/2/76.

On behalf of the board
G. CLARK
A. C. COETZEE
Directors

THE CLYDESDALE (TRANSVAAL) COLLIERIES LIMITED

	Quarter ended 31/12/75	Quarter ended 30/9/75	Comparative Quarter previous year 31/12/74	6 months to 31/12/75
Tons sold	1,125	987	1,011	2,112
	R(000)	R(000)	R(000)	R(000)
PROFIT				
Net profit from mining and allied activities	659	593	506	1,252
Other income	2	9	12	11
	661	602	518	1,263
Less: Taxation	228	201	162	429
NET PROFIT AFTER TAXATION	433	401	358	834
CAPITAL EXPENDITURE	19	3	10	22
CAPITAL RECOUPMENTS	—	19	6	19

Dividend No. 125 of 4 cents per share was declared on 3/12/75 and is payable on 19/2/76.

On behalf of the board
D. GORDON
G. CLARK
Directors

REMARKS

Shareholders are reminded that quarterly results are not necessarily indicative of the results which may be expected over a full year.

Secretaries:
General Mining and Finance Corporation Limited
6 Hollard Street,
Johannesburg
P.O. Box 61824, Marshalltown 2107.

23rd January 1976.

The Kingdom of Denmark

$300,000,000

Medium term loan

Managed by

Citicorp International Bank Limited **Morgan Guaranty Trust Company of New York** **Chase Manhattan Limited**

together with

Privatbanken Aktieselskab **Den Danske Landmandsbank** **Kjøbenhavns Handelsbank** **R. Henriques jr.**

Co-managed by

Algemene Bank Nederland N.V. **The Bank of Nova Scotia** **Midland Bank Limited** **Westdeutsche Landesbank Girozentrale**

Funds provided by

First National City Bank — Morgan Guaranty Trust Company of New York — The Chase Manhattan Bank, N.A.
Algemene Bank Nederland N.V. — The Bank of Nova Scotia — Midland Bank Limited — WestLB International S.A.
Grindlays Bank Ltd. — Wells Fargo Limited — Kredietbank S.A. Luxembourgeoise
Manufacturers Hanover Banque Nordique — Associated Japanese Bank (International) Limited
Bank of America N.T. and S.A. — Banque Canadienne Nationale (Europe) — Banque Nordeurope S.A.
Bayerische Landesbank International S.A. — First National Bank in Dallas — The First National Bank of Boston
London Multinational Bank Limited — Republic National Bank of Dallas — Toronto Dominion Bank
Trinkaus and Burkhardt (International) Ltd. — Amsterdam-Rotterdam Bank N.V. — Banque Europeenne de Tokyo S.A.
Deutsche Girozentrale International S.A. — Dow Banking Corporation — Security Pacific National Bank
American National Bank & Trust Company of Chicago — Bank Melli Iran — Bank of British Columbia
Bank of Ireland, London — Bank of Scotland — Banque Scandinave en Suisse — Canadian American Bank S.A.
The Commercial Bank of Australia Limited — The Connecticut Bank and Trust Company
Creditanstalt-Bankverein — European-American Banking Corporation — Forfaitierung und Finanz AG, Zuerich
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft — Hamburgische Landesbank—Girozentrale
Hypobank International S.A. — Iran Overseas Investment Bank Limited (Iranvest)
Landesbank Schleswig-Holstein Girozentrale — Marine Midland Bank-New York
Merrill Lynch-Brown Shipley Bank Limited — Midland and International Banks Limited — Samuel Montagu & Co. Limited
PKbanken — Provincial Bank of Canada — Scandinavian Bank Limited
Skandinaviska Enskilda Banken — N.V. Slavenburg's Bank — UBAF Limited
Republic National Bank of New York (International) Limited — Trade Development Bank Overseas Inc.

The Chase Manhattan Bank, N.A., *Agent*
Kuhn, Loeb & Co., *Advisor to the borrower*

This announcement appears as a matter of record only. *December 1975*

This Advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an offer or invitation to subscribe for or purchase any securities.
Application has been made to the Council of The Stock Exchange in London for the Shares of Cr$1 each of Brasilvest S.A. ("the Company") and for the Depositary Shares issued or sold pursuant to the placing to be admitted to the Official List.

Brasilvest S.A.

Sociedade de Investimento DL No. 1401

(a Company incorporated with limited liability under the laws of the Federative Republic of Brazil)

Placing of up to 300 Depositary Shares at an issue price of U.S.$10,500 each

Each Depositary Share will represent a number of Shares having a par value of Cr$1 each of the Company ("Cr$ Shares") calculated by converting $10,000 into Cruzeiros and applying the proceeds in subscription of Cr$ Shares at Cr$10 per Cr$ Share. Morgan Guaranty Trust Company of New York, acting as the Depositary, will issue an International Depositary Receipt in bearer form ("IDR") in respect of each Depositary Share.

Subscription Agent

Credit Suisse White Weld Limited

Portfolio Manager

Unibanco-Banco de Investimento do Brasil S.A.

REGISTERED OFFICE OF THE COMPANY
Rua Direita 250, São Paulo

PORTFOLIO MANAGER
Unibanco-Banco de Investimento do Brasil S.A.
Rua Direita 250, São Paulo

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Avenue des Arts 35, 1040 Brussels

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Kempson House, Camomile Street, London EC3A 7AN
In Brazil to the Issue
Pinheiro Neto & Cia
Rua Boa Vista 254, São Paulo

THE COMPANY

Formation

The Company was incorporated in Brazil on 18th November, 1975 as an investment company subject to and in accordance with Brazilian Decree Law No. 1401 of 7th May, 1975 and the related regulations under Resolution No. 323 (together "the Legislation") issued by Banco Central do Brasil ("Banco Central").

The Legislation requires, *inter alia*, that the whole of the issued share capital of qualifying investment companies (except for a small number of shares required to be pledged by or on behalf of the directors of such companies) must be held by investors resident or domiciled outside Brazil. The Company has been sponsored and will be managed by Unibanco-Banco de Investimento do Brasil S.A. ("Unibanco"), which is a subsidiary of Unibanco-União de Bancos Brasileiros S.A., one of the largest commercial banks in Brazil. Unibanco itself is the largest investment bank in Brazil with assets as at 30th June, 1975 of $666 million. Further information relating to Unibanco Group appears under "Portfolio Manager" below.

Investment Policy

Investment in the Company will enable investors resident outside Brazil to participate in a diversified portfolio of Brazilian industrial and commercial securities. The Company's principal objective will be long-term capital growth but not to the exclusion of income considerations. It is intended that the portfolio will be managed actively and in selecting its investments the Directors will place particular emphasis on securities which are readily marketable. At no time will more than 15 per cent of the Company's portfolio be invested in unlisted securities (excluding for this purpose Brazilian National Treasury Bills).

Investment and other Restrictions imposed by the Legislation

The Company is bound by the Legislation to invest and maintain at least 50 per cent of the total value of its portfolio in shares or convertible debentures issued by open capital companies (i.e. companies which fulfil certain requirements of Banco Central relating, *inter alia*, to minimum level of public ownership and listing on a stock exchange in Brazil) controlled by private Brazilian shareholders. The remaining funds may be invested in debentures issued by open capital companies controlled by private Brazilian shareholders, other shares listed on a Brazilian stock exchange, certain unlisted shares which have been registered for public offering, Brazilian National Treasury Bills (but not Government Bonds) or retained in cash.

No more than 10 per cent of the Company's total funds may at any time be invested in any one company and the average investment per company may not exceed 5 per cent of the total value of the Company's investments. The Company may not hold more than 10 per cent of the voting shares nor more than 20 per cent of the total issued capital of any company. In applying the above limits, shares received by way of share dividends or through the exercise of subscription rights shall not be taken into account nor shall inadvertent breaches of such limits caused by market fluctuations, provided such breaches are remedied within a reasonable time.

The Company is not specifically prohibited from investing in securities which are underwritten by Unibanco in the normal course of its business, but no such investments will be made without prior consultation with the Consultative Council referred to below.

No funds may be invested outside Brazil and the Company may not invest in real estate, securities issued or guaranteed by Unibanco or any other portfolio manager for the time being of the Company or by any company "related" within the meaning of the Legislation to Unibanco or such other portfolio manager, nor in shares of certain financial institutions including investment funds, investment companies, commercial banks, investment banks and insurance companies. The Company may not sell shares or other securities it does not own, and may not engage in moneylending or leasing. It may not pledge its portfolio of securities, grant guarantees or acceptance credits, receive deposits or enter into rediscounting transactions, nor may it effect any borrowings.

Dividend Policy

The amount available for distribution by way of dividend in respect of any fiscal period will be calculated by deducting the Company's operating expenses in respect of that period from the aggregate of the gross dividends and other income received in that period together with any earnings retained from previous fiscal periods. Capital profits or losses (whether realised or not) will be disregarded for the purpose of calculating the amount available for distribution. It is expected that substantially the whole of any amounts available for distribution as aforesaid will be paid out by way of dividend, although, in accordance with Brazilian law, 5 per cent of net profits in each year must be retained and credited to Legal Reserve until this reserve amounts to a sum equal to 20 per cent of the issued nominal capital.

Dividends will be dependent upon the income of the Company and although it is impossible to predict the future gross income of the Company, it is expected that, subject to unforeseen circumstances, the Company will be able to pay dividends, in respect of the fiscal year ending 31st March, 1977, sufficient to provide subscribers pursuant to the placing with a gross yield (in Cruzeiro terms) of not less than 4 per cent on the Cruzeiro value of their initial investment. It must be borne in mind, however, that the dollar value of any dividend declared by the Company will be affected by fluctuations in the rate of exchange between Cruzeiros and dollars, and that Brazilian withholding tax will be deducted at the appropriate rate from any Cruzeiro dividends paid (see "Brazilian Taxation" below).

Under the Legislation, supplementary withholding tax becomes payable if the rate of dividend in respect of any fiscal year of the Company exceeds a certain level (see "Brazilian Taxation" below) and the Company will take account of this factor when considering the payment of dividends.

The Company's first accounting period will cover the period from 18th November, 1975 to 31st March, 1976 and thereafter accounting periods will run from year to year terminating on 31st March in each year. No dividend will be declared in respect of the first accounting period but it is anticipated that, in the absence of unforeseen circumstances, an interim dividend in respect of the fiscal year ending 31st March, 1977 will be paid in November 1976 and a final dividend in respect of the same fiscal year in or about July 1977.

Capitalisation

The authorised share capital of the Company is Cr$50 million divided into 50 million Shares of Cr$1 par value each, of which 200,000 Cr$ Shares have been issued for cash at a premium of Cr$9 per Share. In accordance with the Legislation, these Cr$ Shares, except for 100 Cr$ Shares to be held by Unibanco or its "related" companies for the purposes of pledging as referred to above, will be transferred to investors outside Brazil pursuant to the placing. All the Cr$ Shares will be in registered form and the new Cr$ Shares to be issued pursuant hereto will rank *pari passu* in all respects with the original 200,000 Cr$ Shares and with each other (subject to any differences in the applicable rate of withholding tax which may take effect subsequently—see "Brazilian Taxation" below). The Board anticipates that there will be further issues of Cr$ Shares in due course.

Reductions in share capital require the prior approval of Banco Central and of the Shareholders in General Meeting. Increases in authorised share capital and capitalisation issues require Banco Central and Shareholder approval and in addition can only be effected after consultation with the Consultative and Fiscal Councils of the Company, referred to below. Issues for cash of authorised but unissued capital may be made at the discretion of the Board of Directors of the Company after consultation with the Fiscal Council but no Cr$ Share may be issued at less than net asset value (see below). The Legislation prohibits the Company from issuing loan capital or effecting any other borrowing.

The issue of Cr$ Shares will not give rise to any issue or stamp taxes or duties in Brazil.

Subscription

Subscriptions pursuant to the placing will be required to be made in units of $10,000 at an issue price of $10,500, of which $500 will be applied in settlement of issue expenses as described under "Placing" below. A net amount of $10,000 in respect of each unit will be converted into Cruzeiros and will be applied in subscription or purchase of Cr$ Shares at Cr$10 each. Foreign exchange costs incurred upon conversion, amounting to 0.0625 per cent of the resulting Cruzeiro amount, will be borne by the Company. Each unit of $10,000 ("Original Investment") will be registered ("Official Registration") with Banco Central in accordance with the Legislation. Official Registration is required to enable Banco Central to monitor the minimum period of investment and the ultimate repatriation of the investment. In addition, the date of Official Registration determines the tax status of each Original Investment (see "Brazilian Taxation" below).

Cr$ Shares issued or sold pursuant to the placing will be registered in the name of Morgan Guaranty Trust Company of New York, Avenue des Arts, 35, 1040 Brussels, Belgium ("the Depositary"), which will issue to each original subscriber a Depositary Share in bearer form in respect of each net subscription of $10,000. Each Depositary Share will represent specific Cr$ Shares and will be evidenced by an International Depositary Receipt ("IDR"). Further details of these arrangements are summarised under "Deposit Agreement" below. Fractions of Cr$ Shares will not be issued, and if, following conversion of any Original Investment into Cruzeiros, the amount so realised does not result in a whole number of Cr$ Shares, the balance will be returned to the Depositary for appropriate distribution at the same time as the first dividend payment by the Company.

Repatriation of Capital and Marketability

Under the Legislation, no repatriation of the capital represented by a Depositary Share will be permitted until three years after its Official Registration. Thereafter repatriation may take place at a maximum rate of $2,000 per Depositary Share on each of five successive, six [...] repatriation dates, the first such date being the third anniversary of the Official Regi[...] any shortfall from the maximum permitted amount being carried forward on a cur[...] basis. On receipt of a notice calling for repatriation of a specified dollar amount wi[...] permitted limit, the Company will notionally convert that dollar amount into Cruzeiro[...] then prevailing rate of exchange and apply the resulting number of Cruzeiros in the rep[...] at net asset value of Cr$ Shares underlying the relevant Depositary Share. It will be app[...] that the ability of investors to repatriate the full dollar amount of an Original Investm[...] be affected by any change in the net asset value per Cr$ Share and/or fluctuations in[...] of exchange between Cruzeiros and dollars. When all the Cr$ Shares underlying a De[...] Share have been repurchased, the Depositary Share will be cancelled, whether or not th[...] of the Original Investment has then been repatriated. After five years and six mont[...] Official Registration there will be no restrictions on the right to repatriate any out[...] balance of the Original Investment and any Capital Gain. "Capital Gain" means any un[...] Cr$ Shares outstanding (or proceeds thereof) following repatriation of the whol[...] Original Investment.

The first date on which any part of an Original Investment is repatriated determ[...] appropriate withholding tax rate applicable to that Depositary Share (see "Brazilian T[...] below). In certain events of *force majeure*, including events making it impossible to a[...] fair valuation of the Company's investments, repurchases may be temporarily sus[...] subject to due notification to Banco Central.

On the first repatriation of capital represented by a Depositary Share, a holder will be[...] to exchange his initial IDR for an IDR representing a partly repatriated Depositary [...] respect of the balance of the Cr$ Shares to which he will then be beneficially entitle[...] the rights and the value of partly repatriated Depositary Shares may vary (owing to dif[...] in the date and amount of capital repatriations and thus in the applicable rates of wit[...] tax), no application will be made for partly repatriated Depositary Shares to be listed[...] Stock Exchange in London.

The Depositary Shares (other than partly repatriated Depositary Shares) will be [...] The Stock Exchange in London and, in addition, Valeurs White Weld S.A. (a dealer in s[...] associated with Credit Suisse White Weld Limited, the offices of which are at 1, Quai [...] Blanc, Geneva, Switzerland) has indicated to the Directors that it proposes to establish [...] to enable the Depositary Shares (and partly repatriated Depositary Shares) to be [...] over the counter in Geneva. It will nevertheless be appreciated that marketability will at[...] depend on the balance of supply and demand.

Brazilian Taxation

The Company

Provided it continues to comply with the Legislation, the Company will be exe[...] income tax.

Investors

Brazilian withholding tax will be deducted at the rate of 15 per cent from the tota[...] of dividends and Capital Gain remitted in respect of each fiscal year of the Company; [...] If the Original Investment is maintained in Brazil in its entirety for more than six years [...] date of Official Registration, the rate of withholding tax on dividends and Capital Ga[...] subsequent years will be reduced to 12 per cent in the seventh year from the date o[...] Registration, 10 per cent in the eighth year and 8 per cent in the ninth and subsequ[...] However, once any part of the capital comprising an Original Investment has been re[...] the rate of withholding tax applicable to dividends and Capital Gain deriving from tha[...] Investment (or any part thereof) will be at the rate ruling on the date of first repatriati[...]

No withholding tax will be payable in respect of capital repatriations of an aggreg[...] amount up to the amount of the Original Investment. The disposal of a Depositary Sh[...] wise than on repatriation does not affect the tax status of that Depositary Share.

In addition, supplementary withholding tax will be payable if the aggregate of divi[...] Capital Gain (for this purpose calculated after deduction of the relevant withho[...] referred to above) remitted in respect of any fiscal year of the Company exceeds 12[...] of the Original Investment. Save as mentioned below in relation to the carrying forw[...] right to remittances, the rate of supplementary withholding tax on excess remittanc[...] 40 per cent on the excess over 12 per cent and up to 15 per cent of the Original In[...] 50 per cent on the excess over 15 per cent and up to 25 per cent, and 60 per cent on t[...] over 25 per cent.

The right to remit dividends and Capital Gain up to the equivalent of 12 per c[...] Original Investment in each fiscal year without liability for supplementary withhold[...] cumulative so that any shortfall in remittances for one fiscal year may be carried fo[...] aggregated with remittances in the following fiscal year, or years. However, this rig[...] forward is limited to the extent that the shortfall of remittances which may be carrie[...] and paid in any one fiscal year cannot exceed the equivalent of 24 per cent of th[...] Investment. Remittances effected in accordance with these rules will not under th[...] regulations give rise to liability for supplementary withholding tax.

After eight years from the date of Official Registration, supplementary withholdin[...] cease to be payable on remittances of dividends and/or Capital Gain, whether o[...] repatriations have by then been made in respect of the relevant Depositary Share.

Calculation of Net Asset Value

All repurchases by the Company of Cr$ Shares on repatriation by holders of Deposit[...] and all issues by the Company of new or existing Cr$ Shares will be made at net as[...] The net asset value will be calculated by dividing the aggregate value of the Compa[...] (after deducting outstanding liabilities) by the number of Cr$ Shares outstanding [...] Cr$ Shares held by the Company as a result of repurchases.

In calculating the value of the portfolio, all listed shares regularly traded on a [...] stock exchange in Brazil will be valued at the average quotation on the last day on [...] relevant securities were dealt in, and unlisted shares at whichever is the lower of pa[...] the net asset value based on the last balance sheet of the relevant company. Shares w[...] been issued within twelve months of the valuation date and not dealt in on a stock [...] will be valued at the subscription or acquisition price. Any other security will be valu[...] plus income accrued but not paid, except for convertible debentures traded daily o[...] exchange, which will be valued at their latest quoted price.

The net asset value will be calculated at the close of each business day in Bra[...] portfolio manager who will forthwith inform the São Paulo Stock Exchange and the C[...] brokers in London. The net asset value as at the last business day of each month will be [...] in the *Financial Times*.

Directors

The Legislation requires that all the Directors must be resident in Brazil and must be [...] by Banco Central. Under the Company's Statutes their number must not be less tha[...] more than ten. Details of the first Directors are set out below. All these Directors w[...] the first Annual General Meeting of the Company (but will be eligible for re-elec[...] thereafter the Directors will be elected at the Annual General Meeting in each year.

Roberto Konder Bornhausen (42) has spent the whole of his working life in comm[...] investment banking. He has been Chief Executive Officer of Unibanco Group since [...] is Chairman of its Investment Committee. Roberto Teixeira da Costa (41) has bee[...] in investment management since 1958. He is an Executive Vice President of Uniba[...] and is responsible for all matters relating to capital markets, portfolio management and [...] finance. Amongst other outside appointments, he is a member of the Consultative [...] IBRASA (a government-sponsored investment company), the Brazilian Capital Marke[...]

Directors:

Roberto Konder Bornhausen (*Chairman*),
Rua Dr. João Neves Netto No. 354–SP, São Paulo, Brazil (*Brazilian*).
Chief Executive Officer of Unibanco Group.

Roberto Teixeira da Costa (*Managing Director*),
Al. Ministro Rocha Azevedo No. 1409–12, São Paulo, Brazil (*Brazilian*).
Executive Vice President of Unibanco Group.

Tomas Tomislav Antonin Zinner,
Rua Sambaiba, No. 701, Rio de Janeiro, Brazil (*Brazilian*).
Executive Vice President of Unibanco Group.

Fernando Roberto Moreira Salles,
Av. Rui Barbosa, No. 666 Apt. 902, Rio de Janeiro, Brazil (*Brazilian*).
Member of Consultative Council of Unibanco Group.

Gabriel Jorge Ferreira,
Rua Professor Paulo Pupo, No. 66, São Paulo, Brazil (*Brazilian*).
Executive Director of Unibanco—Banco de Investimento do Brasil S.A.

Jaime Fernando Libano Meza,
Alameda Jaú No. 1,167–Apt. 42, São Paulo, Brazil (*Chilean*).
Executive Director of Unibanco—Banco de Investimento do Brasil S.A.

Alex Harry Haegler,
Av. Delfim Moreira 250–Apt. 401, Rio de Janeiro, Brazil (*Brazilian*).
Member of Consultative Council of Unibanco, and Representative in Brazil of Crédit Suisse.

Consultative Council:

Timothy Roy Henry Kimber,
20 Petersham Mews, London S.W.7, England (*British*).
Director, Lazard Securities Limited.

Stephen John Rose,
Motts, Writtle Green, Chelmsford, Essex, England (*British*).
Senior Vice President, White, Weld & Co. Incorporated.

John William Archibald Shaw Stewart,
Linplum House, Haddington, East Lothian, Scotland (*British*).
Chairman and Managing Director, Stewart Fund Managers Limited.

Claude Stalder,
Alpenstrasse 9, CH-880 Thalwil, Switzerland (*Swiss*).
Vice President, Crédit Suisse.

Samuel Stevenson, Jr.,
149 Pavilion Road, London S.W.1, England (*British*).
Managing Director, Gartmore Investment Limited.

This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange in London, for the purpose of giving information to the public with regard to the Company.

The Directors of the Company and the members of the Consultative Council, collectively and individually, accept full responsibility for the accuracy of the information given, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

This document has been prepared on the basis of an interpretation of the relevant Brazilian legislation which is believed to reflect accurately the current interpretation thereof by Banco Central do Brasil. It will be appreciated that the relevant legislation and its interpretation by Banco Central do Brasil may be altered in future.

No dealer, salesman or other person has been authorised to give any information or to make any representations, other than those contained in this document, in connection with the offering or sale of Cr$ Shares or Depositary Shares relating thereto and, if given or made, such information or representations must not be relied upon as having been authorised by the Company.

This document does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Intending subscribers should inform themselves as to any taxation or exchange control legislation affecting them personally. For United Kingdom Exchange Control purposes, Cr$ Shares and Depositary Shares relating thereto will be foreign currency securities, as defined in Exchange Control Notice EC7 (Second Issue) as amended. IDRs held by persons who, for exchange control purposes, are residents of the United Kingdom must be held by or to the order of an Authorised Depositary.

Neither the Cr$ Shares nor the Depositary Shares have been registered under the Securities Act of 1933 of the United States of America and may not be offered or sold, directly or indirectly, in the United States of America (or its possessions and territories and areas subject to its jurisdiction) or to nationals or residents thereof as part of the placing, except that White, Weld & Co. Incorporated may arrange for sales to certain U.S. persons on a private placement basis in compliance with Section 4(2) of the said Act, Rule 146 thereunder or other applicable exemption therefrom.

In this document unless otherwise specified, all references to "dollars" or "$" are to United States dollars and to "Cruzeiros" or "Cr$" are to Brazilian Cruzeiros. On 14th January, 1976 the average of the spot selling and buying rates of Banco Central do Brasil was Cr$9.05 per $1.00. Where Cruzeiro figures have been translated into dollars, they have been converted at the rate then prevailing, except where otherwise indicated. None of the above statements should be construed as representations that the Cruzeiro amounts in this document could have been or could be converted into dollars at such or any other rates.

asilvest S.A.—*continued.*

Council of the Rio de Janeiro Stock Exchange. Tomas Tomislav Antonin Zinner (37) ive Vice President of Unibanco Group in charge of foreign exchange transactions and and international lending and financing operations. Fernando Roberto Moreira Salles member of the Consultative Council of Unibanco Group and is a Chief Executive of panies which control Unibanco Group. Gabriel Jorge Ferreira (40) has spent the whole rking life within what is now Unibanco Group. He is an Executive Director of Unibanco been the Group's Chief Legal Counsel since 1969. He is also a Vice President of the Association of Investment Banks in Brazil. Jaime Fernando Libano Meza (33) has jaged in investment management for the last twelve years. He spent four years with the onal Basic Economy Corporation, before joining the Group in 1968. He is an Executive and a member of the Investment Committee of Unibanco. Alex Harry Haegler (42) is ent representative in Brazil of Crédit Suisse and is Commercial Director of S.A. Haegler uinas e Representações. Widely experienced in Brazilian commercial and financial Mr. Haegler is a past president of the Swiss Chamber of Commerce and Industry in id amongst other part time appointments is a member of the Board of Cia Anglo- ia de Seguros Gerais and of the Consultative Council of Unibanco.

...tative Council

...oard of Directors will be advised by a Consultative Council ("the Council") consisting ...ss than five and not more than ten members. Members of the Council need not be in Brazil, but are subject to approval by Banco Central. The initial members, details ...are given below, have been appointed by the founder shareholders of the Company ...been approved by Banco Central. All these members of the Council will retire at the ...ual General Meeting of the Company (but will be eligible for re-election) and thereafter ...cil will be elected at the Annual General Meeting in each year.

...ouncil will advise the Directors on distribution of profits, proposals for increasing the ...d capital of the Company, capitalisation of reserves, dissolution or liquidation of the ...y, renewal or replacement of the portfolio manager, amendment of the Company's ...appointment of external auditors, and the purchase or subscription by the Company ...s or debentures the placing of which is sponsored or underwritten by Unibanco or any ...tfolio manager for the time being of the Company. Unibanco has indicated that it will ...Council at least twice a year in Europe to review the performance of the Company provide the Council with up-to-date information on the Brazilian economy and capital The Statutes of the Company empower the Council to require the Directors to convene ...l Meeting of Shareholders.

...ny Roy Henry Kimber (39), after a career in industry, joined Lazard Brothers & Co., ...n 1966, initially as an assistant manager, corporate finance, but switching to investment ...nent in 1969. He was appointed to the board of its investment management subsidiary, ...Securities Limited, in 1974. Lazard Securities is responsible for the management of ...ial private client and pension fund assets in addition to managing publicly quoted ...ent trusts with a value of approximately £100 million. Stephen John Rose (45) was a ...-at-Law in the Middle Temple until joining Her Majesty's Foreign Service in 1955. In ...joined Fielding, Newson Smith & Co.; since 1965 he has been employed by White, Co., advising institutional clients on matters concerned with portfolio investment. In became branch manager of that company's London office and in 1975 a Senior Vice ...t of White, Weld & Co. Incorporated, New York. John William Archibald Shaw- (46) has been involved in the analysis of securities and the management of investment ...s since he joined The Law Debenture Corporation, Limited in 1955. After a short period ...tral Mining and Investment Company Limited he joined Scottish American Investment ...y Limited in Edinburgh in 1961 of which company he later became manager. In 1970 ...ded Stewart Fund Managers Limited which currently manages various funds, including ...tish American Investment Company Limited, with a current total value of approximately ...ion. Claude Stalder (46) joined Crédit Suisse in 1961 and has been for over ten years ...k's senior analyst. He is now Vice Director of the Research Department of Crédit Suisse ...icipates in the management of various mutual funds. Samuel Stevenson, Jr. (42) was ...ed with the management of investment funds as a partner of McClelland Moores & Co., ...d Accountants, from 1961 to 1967, and subsequently of Arthur Young McClelland & Co., Chartered Accountants, from 1967 to 1969. Since that date he has been a ...g director of Gartmore Investment Limited which manages or advises investment funds ...s of £350 million. In 1975 he became a director of Cayzer, Bowater & Company Limited.

...io Manager

...the Legislation the portfolio of the Company must be managed by a Brazilian institution ...d by Banco Central and accordingly under an agreement dated 18th November, 1975 ...t (1) below) the Company has appointed Unibanco as its portfolio manager, and ...o has undertaken to manage the Company's investment portfolio in accordance with ...s laid down in the Legislation.

...nco is a 51 per cent controlled subsidiary of Unibanco—União de Bancos Brasileiros ...ich is one of the largest commercial banks in Brazil, with 438 branches in Brazil and ...nsolidated assets as at 30th June, 1975 of $1.6 billion. Minority interests in the capital ...anco are held by The Dai-Ichi Kangyo Bank Ltd., Harris Bankcorp Inc., Crédit Suisse, ...zbank AG, Philadelphia International Investment Corporation and White Weld ...s Inc.

...nco carries on domestic and international investment banking business, operating from ...es in Brazil and a European representative office in Paris. It is one of the principal ...ers to and most active dealers in Brazilian National Treasury Bills and Federal, State, ...nicipal Bonds and is also prominent as an underwriter of corporate stocks and bonds ...i. It is a major manager of investment funds in Brazil and as at 30th June, 1975, funds ...s management exceeded $124 million, representing some 20 per cent of the total invested at that date in Brazilian mutual and "fiscal" funds. Unibanco maintains a large ...h department which analyses approximately 150 Brazilian companies covering all of the market. In addition, Unibanco provides corporate financial advice and is active ...ting mergers and acquisitions.

...ract (1) provides that Unibanco will (i) act as portfolio manager for a period of six years ...reafter from year to year until the agreement is terminated by either party on six months' or is terminated pursuant to a resolution of the Shareholders in General Meeting, ...vide the Company with monthly reports on the composition, performance and value of ...tfolio and (iii) provide the Company with day-to-day management services, including ...istration and repatriation of foreign capital and the payment of dividends.

...ay of remuneration for its services as portfolio manager the Company will pay Unibanco ...hly fee of one-twelfth of 1 per cent of the net asset value of the Company, such fee to ...ulated on the last business day of each month and paid on the first business day of the ...ng month. In addition, for the provision of management services the Company will pay ...co a monthly fee of one-twelfth of 1 per cent of the net asset value of the Company (to ...ulated and paid in the same manner as the portfolio manager's fee) subject to a maximum equivalent of $5,000 per month. The latter fee will be reviewed by the Shareholders at ...nnual General Meeting. In certain events of *force majeure,* Unibanco will be relieved ...ibility in the performance of its duties.

...ng and selling of securities on behalf of the Company may be effected by Unibanco- ...ra de Valores Mobiliarios, a brokerage firm in Unibanco Group which has seats on the ...Janeiro, São Paulo and Rio Grande do Sul Stock Exchanges. This company will receive brokerage commissions.

...nation Meetings

...lers of Depositary Shares will not be eligible to attend General Meetings of the Company ...zil. However, as explained under "Deposit Agreement—Meetings of Shareholders" holders of Depositary Shares will be entitled to instruct the Depositary as to the exercise voting rights attributable to their underlying Cr$ Shares. In addition, it is proposed that ...al Information Meetings should be held twice a year in Europe, immediately following ...gs between the Council and Unibanco, referred to above. Half-year financial statements Company will be made available at the offices of the Depositary referred to below and ...mary thereof will be published in the *Financial Times* together with details of the time ...ace at which Information Meetings will be held. The Board of Directors and the Council ...represented at such meetings.

...odian

...ccordance with the Legislation, the Company has entered into a Custodian Agreement ...act (2) below) with Unibanco—União de Bancos Brasileiros S.A. (the "Custodian"), ...by the Custodian will have custody of all securities from time to time owned by the ...any, and during the continuance of such custodianship all securities and certificates or ...ments of title evidencing investments by the Company will be deposited with or held to ...rder of the Custodian. By way of remuneration for its services under the Custodian ...ment, the Custodian will receive each month a fee of 0.03 per cent of the net asset value ...Company, calculated on the last business day of each month and payable on the first ...ess day of the following month.

...tors' Report

...e following is a copy of a Report addressed to the Board of the Company by its Auditors:

...he Board of Directors,
...rasilvest S.A. Sociedade de Investimento DL No. 1401,
Rua Direita 250, São Paulo, Brazil.

Edificio Independencia,
Rua General Jardim 36,
São Paulo, Brazil.
January 19, 1976.

...lemen,

...e report that your Company was incorporated on November 18, 1975, and has not yet ...menced business. No accounts have been made up for the Company nor have any dividends declared or paid.

Yours faithfully,
PRICE WATERHOUSE PEAT & CO.

PLACING

...der a Subscription Agreement dated 19th January, 1976 (contract (3) below), Unibanco has appointed Credit ...e-White Weld Limited as Subscription Agent for the Company. Pursuant to this Agreement, Credit Suisse ...e Weld Limited has agreed with the Company to use its best efforts to find subscribers for up to 300 Depositary ...s.

...e Legislation requires all expenses incurred in connection with the Subscription Agreement, and the placing ...sting of Depositary Shares on The Stock Exchange in London (other than the initial listing fee, estimated not ...ceed $2,500 which will be payable by the Company), to be borne by subscribers and deducted from the sub- ...on moneys prior to remittance thereof to Brazil. Accordingly, Depositary Shares are being placed at $10,500 ... Of this amount, $10,000 will be applied in the purchase or subscription of Cr$ Shares, and $500 will be applied in ...ment of the expenses of the placing as follows: as to $100 in payment of a management fee to Credit Suisse ...e Weld Limited for its services in connection with the placing; as to $300 by way of sales commission (of ...h up to $250 will be reallowed to banks, brokers and recognised dealers in securities); and as to $100 towards ...ated expenses of the issue (including legal, accounting, printing and advertising costs, and fees payable to ...Depositary on the initial issue of Depositary Shares). To the extent that the actual expenses of the issue exceed ...provided for above, the excess will be borne by Credit Suisse White Weld Limited.

DEPOSIT AGREEMENT

...e main provisions of the Deposit Agreement may be summarised as follows:

...ue of IDRs

...e Company will issue the Cr$ Shares to be issued pursuant to the placing in the name of the Depositary and ...deliver certificates for Cr$ Shares so issued at the office of the Depositary in Brussels referred to above. Each ...Share certificate will represent such whole number of Cr$ Shares as shall have been subscribed at an issue price ...$10 per Cr$ Share with the amount of Cruzeiros which may be purchased with $10,000. Upon receipt by the ...ositary of the Cr$ Share certificates together with all other appropriate documents required by Brazilian law, the ...ositary will issue and deliver IDRs in respect of the corresponding Depositary Shares. Each IDR will indicate ...its face the number of underlying Cr$ Shares to which it relates and the date and details of Official Registration ...the Capital Investment represented by the IDR.

...Dividends and other Distributions

[illegible]

Subscription Rights and Reorganisation of Capital

The Depositary will in an appropriate reasonable manner make available to holders of Depositary Shares the benefit of subscription options or similar rights, capitalisation shares or securities accruing on a reorganisation of the Company in respect of the deposited Cr$ Shares.

Meetings of Shareholders

The Depositary will publish a notice advising the holders of Depositary Shares of any meeting of Shareholders of the Company of which it has received notice, summarising the matters to be considered at such meeting and inviting holders of Depositary Shares to instruct the Depositary as to the exercise of their voting rights. The Depositary will, so far as applicable laws and the Statutes of the Company permit and so far as practicable, vote or cause to be voted the Cr$ Shares deposited with it so as to reflect instructions received by it in writing from the holders of Depositary Shares, and in the absence of such instructions the Depositary will use its best endeavours to give a discretionary proxy to a person designated by it, although no such discretionary proxy will be given with respect to any proposition which is, to the knowledge of the Depositary, likely to be subject to a contest, or to any proposal for authorising a merger, consolidation or amalgamation, or on any other matter which may substantially affect the rights of IDR holders.

Liability of the Depositary

The Depositary will be under no obligation to take any legal action or take any proceedings in respect of the deposited Cr$ Shares which in its opinion may involve it in expense or liability unless a satisfactory indemnity is supplied to it from the holder or holders of the relevant Depositary Shares. Provided that they have acted in good faith, the Depositary and the Company are relieved from liability to the holders of Depositary Shares if either shall be prevented or delayed from carrying out in whole or in part any of the obligations imposed on either of them by the Deposit Agreement as a result of legal or governmental restrictions or in certain other circumstances beyond their control, or by reason of any failure to exercise any discretion provided for in the Deposit Agreement.

Resignation and Removal of the Depositary

The Depositary may at any time resign as Depositary and the Depositary may at any time be removed by the Company, but such resignation or removal will take effect only upon the appointment of a successor Depositary approved by the Company (which approval will not be unreasonably withheld) and the acceptance of such appointment by such successor. Notice of appointment of a successor will be given.

Amendment and termination of the Deposit Agreement

The form of the IDR and any provisions of the Deposit Agreement may at any time be amended by agreement between the Company and the Depositary. Any amendment which has the effect of imposing any fees or charges (other than taxes and other governmental charges) or which may otherwise prejudice any substantial existing rights of the holder of a Depositary Share will not become effective as far as such holder is concerned until three months after notice of such amendment has been given. By continuing to hold his IDR, each holder at the time at which any amendment so becomes effective shall be deemed to have consented and agreed to such amendment.

At any time after 31st December, 1985 or at any time when the number of Cr$ Shares represented by outstanding Depositary Shares shall be less than 1,000,000, the Depositary shall if the Company so directs terminate the Deposit Agreement by giving not less than thirty days' prior notice of such termination to the holders of all outstanding Depositary Shares together with instructions relating to the surrender of IDRs and the withdrawal of corresponding Cr$ Shares. If any Depositary Shares remain outstanding after the date of termination, the Depositary will suspend the distribution of dividends to the holders of Depositary Shares and will not perform any further acts under the Deposit Agreement except that the Depositary will continue to receive dividends and other distributions relating to the Cr$ Shares remaining deposited with it and will deliver Cr$ Shares (together with any cash or other property held with respect to such Cr$ Shares) in exchange for IDRs surrendered to the Depositary. At any time after two years from the date of termination the Depositary may sell any Cr$ Shares remaining deposited with it and may thereafter hold the net proceeds of sale together with any other cash held by it under the Deposit Agreement for the benefit of the holders of Depositary Shares which have not by that date been surrendered in proportion to their respective entitlements. After making such sale, the only remaining obligation of the Depositary under the Deposit Agreement will be to account to holders of Depositary Shares for such net proceeds and other cash.

The holder of a Depositary Share may at any time surrender his Depositary Share to the Depositary and will be entitled, upon payment of the appropriate fee to the Depositary, to delivery of the underlying Cr$ Shares.

Prescription

If any distribution received by the Depositary in respect of the deposited Cr$ Shares remains unclaimed by the holders of Depositary Shares after 30 years from the date of such distribution, all rights of the holders of Depositary Shares to such distribution will thereupon be extinguished.

Fees of the Depositary

The Depositary will be entitled to receive from the Company an annual administration fee of $2,500 and reimbursement of its reasonable out-of-pocket expenses incurred in connection with the publication of notices and its other duties under the Deposit Agreement. In addition the Depositary will be entitled to charge holders of Depositary Shares the sum of $5 upon the issue (other than the initial issue pursuant to the placing) of each IDR; $10 for the exchange of an IDR on a repatriation of capital; $5 for each IDR upon final cancellation; and 1 cent for each dividend coupon paid.

Financial Information

The Company will provide the Depositary with copies of the audited six-monthly trading and profit and loss accounts and balance sheets of the Company and quarterly unaudited statements certified as correct by a duly authorised officer of the Company. Such information and accounts will be available at the office of the Depositary referred to above and notice of availability will be given.

Notices

Notices to holders of Depositary Shares will be published in the *Financial Times* in London, but if timely publication therein is not practicable, notices will be published in such other newspaper as the Depositary shall deem necessary to give fair and reasonable notice to holders of Depositary Shares.

BRAZIL

INTRODUCTION

In the early 1960's Brazil faced acute inflation and low rates of economic growth, its balance of payments was steadily deteriorating and government budgets created ever-larger deficits. Since the change of régime in 1964, the country has undergone significant changes as a result of economic and social policies implemented by successive governments, whose principal objectives have been substantial real economic growth within a context of gradual disinflation, the promotion of social development and the reduction of income and regional disparities.

Economic Strategy

In the years 1964–74, real GDP increased by 121.4 per cent, industrial production by 143 per cent and agricultural production by 72 per cent. Inflation, running at an annual rate of 91.9 per cent (according to the General Price Index, calculated on the basis of products and services for domestic use) in 1964, declined to 15.7 per cent in 1973, though rising again in the following year under the pressure of factors discussed below. Today Brazil has the largest industrial capacity of any South American nation, and in 1973 ranked eighth in terms of GDP among the advanced industrialised countries of the non-communist world.

The following policies have formed the base of this rapid economic growth:

The generalised indexation of savings

With the introduction of monetary correction in 1964, debt securities of all types, other than National Treasury Bills, were issued either with "prefixed monetary correction" (the rate of interest being indexed to the estimated inflation rate over the period of the debt) or with "post-fixed monetary correction" (interest payments being indexed periodically during the life of the loan to the actual rate of inflation). This has permitted the government to raise funds for development purposes and has stimulated the general level of investment. Relative to GDP, gross savings since 1964 have risen from 17 per cent to about 23 per cent.

A price and wage stabilisation programme

This covers price guidelines for industrial and consumer goods and controls on public sector spending. The rate of increase in money wages has shown a marked deceleration as a result of a wage formula designed to limit wage increases to a non-inflationary level, which now takes into consideration the average real wage over the preceding 12 months, increases in productivity during the same period and anticipated inflationary trends for the following 12 months. The wage formula applies to minimum wages as well as to wages subject to collective bargaining and those of government employees.

A far-reaching programme of tax reforms and tax incentives

The tax system has been converted to a basis which recognises the effects of inflation upon business as well as the individual. Steps taken include: the obligatory annual monetary restatement of fixed assets and corresponding depreciation accounts, the tax deductibility of inflation profits to maintain working capital levels, the monetary restatement of all overdue taxes and fines so as to discourage tax evasion and late payment, and the annual adjustment of tax brackets and exemptions to reflect inflation.

Tax incentives have been used extensively to encourage both individual and corporate investment in sectors such as tourism, forestry, fishing and agriculture, and to promote regional development, while substantial tax benefits are granted to export-oriented industries. Capital market incentives include: the opportunity for individuals to invest 12–24 per cent of their income tax liability in "fiscal" funds which must be 70 per cent invested in open capital companies controlled by private Brazilian shareholders; tax deductions for income from various investments if held for at least two years; and tax exemption for capital gains.

The adoption of flexible exchange rates

Parallel to internal monetary correction, Banco Central periodically adjusts the dollar value of the Cruzeiro to reflect more accurately the value of the currency in foreign exchange markets. Frequent small, irregular devaluations are carried out, related to the rise in the internal wholesale price index, after deduction of a certain percentage representing the estimated average rate of inflation in Brazil's main trading partners.

Prospects: The Second National Development Plan 1975–79

The goals set forth in the Plan are to sustain the momentum generated by its predecessor (The First National Development Plan 1972–74), which stressed the extension of economic benefits to all social classes and regions, as well as export growth, and investment in such crucial industries as steel, petrochemicals, transport, electricity, mining and communications. Additional objectives specified in the current Plan include the development of import substitution industries, expansion of domestic energy sources, and development of improved means of corporate financing.

Government targets called for a compound real rate of increase in GDP of 10 per cent annually during the period of the Plan.

The short-term outlook, however, is for slower growth. In 1974, the inflation rate rose again to 34.5 per cent under the combined pressure of domestic demand, worldwide inflation, and the influx of foreign capital. Inflation has since responded to tighter monetary policies, slowing to a rate of 28.4 per cent in 1975. The government is now resorting to more stringent economic policies to safeguard medium-term goals. Increased export incentives and import restraints are to be applied to reduce the trade deficit and preserve Brazil's foreign exchange reserves. Government sources do not expect real GDP to have increased by more than 5–6 per cent in 1975, a level which, owing to recent further stringent regulatory measures, is not likely to be much exceeded in 1976.

THE ECONOMY

General

Brazil is the fifth largest country in the world, occupying 47 per cent of the South American continent. About 45 per cent of its area is arable land, of which only 10 per cent is presently cultivated. A further 41 per cent is forest area.

The country's economic potential is a function of its abundant agricultural and mineral resources, and also of its large, and growing, supply of manpower; its population of 104 million, of which slightly more than half live in urban areas, is increasing at an estimated rate of 2.8 per cent per annum.

Gross Domestic Product

Brazil's real GDP grew at an average annual rate of 8.2 per cent and 10.4 per cent respectively during the last ten and five years ending in 1974. Real per capita income grew at an average annual rate of 7.3 per cent during the last five years. In 1974, GDP reached $74.3 billion (1972 prices) and per capita income $715.

Year	1968	1969	1970	1971	1972	1973	1974
GDP—$ million (1972 prices)	41,504	45,240	49,534	55,136	60,870	67,809	74,315
Yearly change (%)	8.3	9.0	9.5	11.2	10.4	11.4	9.6

Source: Banco Central.

Principal Economic Sectors

The following table summarises the relative contribution of the major sectors of the Brazilian economy:

Participation by Sector in Domestic Income

	1960	1970	1973
Agriculture	22.5%	14.6%	15.2%
Industry	25.2%	32.8%	33.3%
Services	52.3%	52.6%	51.5%

Source: Centro de Contas Nacionais—Fundação Getúlio Vargas.

During the last five years, the agricultural and industrial sectors have grown, in real terms, at average annual rates of 6.7 per cent and 11.9 per cent respectively. Primary products, representing 85.4 per cent of exports in 1964, accounted for 50.4 per cent in 1974, while the contribution of manufactured goods to exports rose in the same period from 6.2 per cent to 29.2 per cent.

Agriculture. Although this sector's share of GDP has declined in recent years, the potential for increases in production is substantial, given the availability of land and labour, an adequate credit supply and the recent discovery of large reserves of phosphates. In 1974, Brazil was the world's leading producer of coffee, cane sugar and bananas, second in the production of maize and cocoa, and third in soyabeans. It has one of the four largest beef herds in the world, as well as the third largest timber reserves.

Industry. Manufacturing is diversified and is directed to the production for the domestic market and export of consumer and capital goods. The principal capital and consumer durable goods manufactured in Brazil are motor vehicles, ships, rubber products and household and other appliances. The automobile industry has reached a notably high level of integration and self-sufficiency and has recently become a net exporter. The main non-durable industries which have become significant export areas are: food products, textiles and leather goods. Production of cement amounted to 14.9 million metric tons in 1974, up from 9.0 million in 1970.

Real industrial growth for the period 1970–74 is shown below:

Real Annual Growth Rates (%)

	1970	1971	1972	1973	1974
Manufacturing Industries	11.6	11.3	13.6	15.8	7.1
Construction	—	8.4	13.0*	15.4*	11.2
Public Utilities (Electric Power)	10.0	11.4	10.7	15.6	12.0

Source: Fundação I.B.G.E. *Jan.—Nov.*

Metals and Minerals. Brazil has what are estimated to be the world's largest reserves of top-grade iron ore. In 1974, it ranked among the world's four largest producers of iron ore, and is also a major producer of steel and pig iron. It has extensive reserves of coal, manganese, phosphates, bauxite, nickel, tin, diamonds, gems, zinc, niobium, thorium and tungsten.

Energy. Domestic production satisfies 60 per cent of Brazil's present energy requirements; the remainder is met by imports, mostly of oil. Recent oil finds are expected to raise domestic production from the present level of 177,000 to 500,000 barrels a day by 1979, thereby substantially reducing Brazil's dependence on imports. Electric power, of which 90 per cent is produced by hydroelectric means, supplies 24 per cent of the country's energy consumption. Capacity is expected to increase from 17.5 million kilowatts in 1975 to 28 million kilowatts in 1979.

Foreign Direct Investment

As at 31st June, 1975, total foreign direct investment amounted to $6.7 billion, of which the United States of America and West Germany accounted for the largest proportions (32.2 and 12.1 per cent respectively). Major sectors of investment at that date were: chemicals (15.3 per cent), basic chemicals (10.6 per cent), vehicles (9.5 per cent), metallurgy (7.2 per cent), electric and communications equipment (7.4 per cent), and machinery (7.1 per cent).

Balance of Payments

In the ten years to 1973, Brazil's balance of payments showed a steadily improving trend. Recently the deterioration in the country's trade and current accounts has been more than offset by increased capital inflows. In 1974, however, this deterioration in the trade and current accounts exceeded the improvement in the capital account. As a result, Brazil recorded its first overall deficit since 1967, the increased cost of oil imports accounting for $2.8 billion of the $4.7 billion trade deficit. In 1974, imports and exports accounted for 16 and 10 per cent of GDP respectively. It is anticipated that payments figures for 1975 will show an easing in the trade deficit (which will have reached about $3.5 billion by year-end) but a higher deficit on services account.

Balance of Payments ($ million)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
A) Trade Balance	344	655	438	213	26	318	232	—341	—244	7	—4,684
Exports	1,430	1,596	1,741	1,654	1,881	2,311	2,739	2,904	3,991	6,199	7,951
Imports	1,086	941	1,303	1,441	1,855	1,993	2,507	3,245	4,235	6,192	12,635
B) Services	—259	—362	—463	—527	—558	—630	—815	—980	—1,250	—1,722	—2,483
C) Net Transfers	55	75	79	77	22	31	21	14	5	27	1
D) Current Transactions (A+B+C)	140	368	54	—237	—508	—281	—562	—1,307	—1,489	—1,688	—7,148
E) Net Capital*	82	—6	124	27	541	871	1,015	1,846	3,492	3,512	6,235
F) Errors and Omissions	—218	—31	—25	—35	—1	—20	82	—8	438	355	27
G) Total/Surplus or Deficit (D+E+F)	4	331	153	—245	32	570	545	530	2,439	2,179	—932

* Does not include reinvested profits.
Source: Fundação Getúlio Vargas.

Foreign Exchange and Reserves

Brazil's adoption of flexible exchange rates has resulted in the following official buying rates in Brazil for U.S.$1.00:

31st December	1971	1972	1973	1974	1975
U.S.$ buying rate in Cr$	5.60	6.18	6.18	7.39	9.02
% change end of year	13.6	10.4	—	19.6	22.0

The official gold and foreign exchange reserves of Brazil have increased substantially from $244 million in 1964 to a peak of $6.4 billion in 1973. In 1974, these reserves declined to $5.2 billion, representing 30 per cent of the country's gross external debts; debt service amounted to $2.6 billion, a level unchanged from the previous year.

Public Finance

In the last ten years, the Federal Government's budget has been brought into balance. In 1973 and 1974, the budget showed surpluses of $48 million and $572 million respectively. This compares with average annual deficits of $375 million in 1964–68 and of $140 million in 1969–72; in 1962–63, the budget deficit had reached 4.2 per cent of GDP.

SECURITIES MARKETS IN BRAZIL

Background

The present structure of the capital and securities markets in Brazil evolved as a result of the Banking Reform Act, 1964, and the Capital Market Act, 1965. The Banking Reform Act created the National Monetary Council and Banco Central which became responsible for establishing and implementing monetary, exchange and capital market policies.

The Capital Market Act established rules, controls and incentives for the capital markets. It set standards for financial institutions, introduced the philosophy of "full disclosure", promoted the creation of investment banks and laid the foundation for the modernisation of the stock exchanges. Banco Central later issued regulations governing the operation of the exchanges and the activities of its brokers.

Further legislation which gave impetus to the development of the markets included the establishment of "fiscal" funds (the assets of which were invested largely in new issues), tax exemption on stock dividends paid to individuals and corporations, reduction in the rate of withholding tax on cash dividends, indexation of company working capital to eliminate tax on inflationary profits, heavier taxes on fixed income securities to encourage purchase of equities and increases in deductible amounts available for investment in "fiscal" funds.

These measures contributed to the stock market boom, which reached its peak in mid-1971 amidst excessive speculation. In response to the rapid decline that followed, the government took steps to stabilise the market and stimulate investment in equities. Regulations governing "fiscal" funds, for instance, were changed to provide secondary market support for open capital companies controlled by private Brazilian interests.

During the period 1968–75, the number of open capital companies increased from 289 to 572 (as of June 1975).

The government has been actively encouraging institutional investment. The holding of shares and debentures by insurance companies will increase significantly as the result of new legislation governing the composition of their portfolios. In October 1975, the two state-controlled employee benefit funds, whose portfolios amounting to an aggregate of $2.9 billion had been hitherto restricted to debt instruments, were authorised to invest in equities. At 31st December, 1975, mutual funds and "fiscal" funds, with assets of $214 million and $423 million respectively, accounted for the largest part of institutional participation.

Stock Exchanges

There are 14 stock exchanges in Brazil. The exchanges of Rio de Janeiro and São Paulo accounted for 97 per cent of total activity in 1974. The Rio de Janeiro Stock Exchange, which lists 211 companies, is characterised by a high concentration of trading in a few blue chips. The São Paulo Stock Exchange has a broader market, listing 397 companies. Combined daily volume on the two exchanges having risen to more than $20 million in 1971, declined to $6.5 million in early 1975, but by October 1975 increased to $15 million.

In 1974, the ten most active shares on the Rio de Janeiro and São Paulo Stock Exchanges represented 78.6 and 63.1 per cent respectively of the total trading volume (these figures should be assessed against the poor market conditions and low turnover of 1974).

Historical performance of the São Paulo and Rio de Janeiro Stock Exchange Indices

Year end	São Paulo BOVESPA (100: 8th Aug. 1968)	Rio de Janeiro IBV (100: 2nd Jan. 1968)	Average P/E ratios of 20 major companies (representing over 70 per cent of trading volume in 1974)
1968	208	240	—
1969	558	885	—
1970	858	1,718	16.3
1971	1,811	3,696	18.0
1972	1,007	1,841	7.7
1973	1,055	1,685	6.9
1974	1,441	2,443	6.3
1975	1,346	3,188	4.3

Source: Rio de Janeiro and São Paulo Stock Exchanges.

Peak levels reached in June 1971 were 2,574 and 5,236 for the BOVESPA and IBV Indices respectively. The recent rise began in November 1974 when Petrobrás, the government-controlled oil company, made a major oil find in the offshore Garoupa field; lately the upward move has been accelerated by Banco Central's authorisation of foreign investment companies qualifying under Decree Law No. 1401, and other legislation mentioned earlier which will permit further institutional participation.

Gross dividend yields on the companies referred to in the above table averaged 7.2 per cent as at 31st December, 1975.

Historical performance of Brazilian equities matched against Cruzeiro devaluations and domestic inflation

An indication of the performance of shares relative to inflation and Cruzeiro devaluations is provided in the following table for the Unibanco-managed Crescinco Fund, which is the largest and oldest mutual fund in Brazil. The period covered begins shortly after the introduction of monetary correction in Brazil (1964) and includes "bull" and "bear" market phases.

The statistics are indexed, with January 1965 taken as base date. Column I shows the Crescinco Fund Cruzeiro value of a share with all dividends, bonuses and capital gains reinvested. Column II shows the appreciation of the U.S. dollar against the Cruzeiro. Column III shows the cost of living index for the State of Rio de Janeiro.

January	I Crescinco Fund (all income reinvested)	II U.S. $ appreciation	III Cost of Living Index
1965	100	100	100
1970	977	235	379
1971	1,544	287	463
1972	2,018	304	547
1973	1,353	335	621
1974	1,641	342	725
1975	1,557	408	960
28th November 1975	2,163	498	—

Source: Unibanco.

GENERAL INFORMATION

Material Contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company and are, or may be, material:

(1) Dated 18th November, 1975 between the Company (1) and Unibanco (2) whereby Unibanco agreed to provide the Company with portfolio management and other services;

(2) Dated 19th January, 1976 between the Company (1) Unibanco (2) and Unibanco-União de Bancos Brasileiros S.A. (3) whereby the latter agreed to act as custodian of all securities from time to time owned by the Company;

(3) Dated 19th January, 1976 between the Company (1) Unibanco (2) and Credit Suisse White Weld Limited (3) whereby Credit Suisse White Weld Limited agreed to use its best efforts to procure subscriptions for Depositary Shares;

(4) Dated 19th January, 1976 between the Company (1) and the Depositary (2) whereby the Depositary agreed to become the registered holder of Cr$ Shares, and to issue the IDRs.

Statutes

The Statutes of the Company, which form its constitution, and Brazilian company law, include provisions to the following effect:

(a) The Cr$ Shares form one class of Common Shares and rank *pari passu* in all respects. Each Cr$ Share entitles the holder to one vote. A Shareholder may appoint another Shareholder as his proxy to act on his behalf at meetings of Shareholders. Except as otherwise required by Brazilian law, resolutions at a meeting of Shareholders duly convened will be passed by a simple majority of those present and voting;

(b) Capital profits or losses (whether realised or not) arising in respect of any of the Company's investments must be disregarded in calculating the amount available for distribution by way of dividend;

(c) The Company will be managed by the Directors who shall number not less than five nor more than ten and shall be elected annually by the Shareholders in General Meeting. The quorum for meetings of the Directors shall be one-half of the then elected Directors. No Director may vote on any contract, negotiation or proposal in which he has an interest opposed to that of the Company;

(d) The Board of Directors will receive advice on certain matters from the Consultative Council which will consist of between five and ten members who will be elected annually by the Shareholders in General Meeting;

(e) The remuneration of the Board of Directors, the Consultative Council and the Fiscal Council will be established in General Meeting;

(f) The Statutes do not contain any age limit for retirement of Directors or any shareholding qualifications for Directors but require that ten Cr$ Shares shall be pledged to the Company on behalf of each Director as a guarantee of the proper performance of his respective duties to the Company. The Statutes may be altered by a simple majority of Shareholders present and voting in person or by proxy at a General Meeting of the Company, unless the alteration in question requires a special quorum and majority under Brazilian law.

Directors

No Director, or any of his family interests (as defined by the Regulations of The Stock Exchange in London) has or will have any beneficial interest in the Cr$ Shares or Depositary Shares. All the Directors, other than Mr. Alex Haegler, and Mr. F. R. M. Salles, are employed full time as Officers of Unibanco Group. All the Directors are shareholders of Unibanco-União de Bancos Brasileiros S.A. or Unibanco. There are no service agreements between any of the Directors and the Company. All Directors who are employed on a part-time basis by Unibanco or any company "related" to Unibanco will serve with a nominal annual remuneration of Cr$10.

Fiscal Council

Under Brazilian law, the Company must have a Fiscal Council of at least three members which has certain supervisory functions and may convene General Meetings of the Company in certain circumstances. The members of the Fiscal Council are elected annually by the Shareholders in General Meeting.

Taxation in Belgium

Credit Suisse White Weld Limited has been advised by the Depositary that under present Belgian law, the issue of IDRs by the Depositary and the transfer of IDRs will not give rise to any issue, transfer or stamp taxes or duties in Belgium.

Miscellaneous

(i) The Company has not established a place of business in Great Britain or in Northern Ireland and has no subsidiaries.

(ii) The Company has no litigation or claims of material importance pending or threatened against it.

(iii) No Cr$ Share is under option, or agreed conditionally or unconditionally to be put under option.

(iv) The Company has no outstanding mortgages, debentures, loan capital, bank overdrafts or similar indebtedness, hire purchase commitments, guarantees or material contingent liabilities.

(v) The minimum amount which, in the opinion of the Directors, must be raised by the issue of Depositary Shares pursuant to this document in order to provide the sums required to be provided in respect of the matters specified in paragraph 4 of Part 1 of the Fourth Schedule to the Companies Act, 1948, of Great Britain is $2,100,000 made up as follows: (i) purchase price of property: nil; (ii) preliminary expenses and expenses of the placing (related to such minimum amount): $100,000; (iii) repayment of money borrowed: nil; (iv) working capital: $2,000,000. Save as mentioned herein, no amounts in respect of the foregoing are to be provided otherwise than out of the proceeds of the present placing.

(vi) The Company's financial year will end on 31st March and the first accounting period will end on 31st March, 1976. It is intended to issue audited annual and half yearly reports and accounts.

(vii) Save as disclosed herein, since the incorporation of the Company: (a) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue of Cr$ Shares; and (b) no Cr$ Shares have been issued for cash or for a consideration other than cash.

(viii) Save as disclosed herein, no Director of the Company: (a) has or has had any interest in the share capital of the Company; (b) otherwise than in the ordinary course of business, has or has had any interest in any assets which have prior to the date hereof been acquired or disposed of by, or leased to the Company or are proposed to be acquired, disposed of by, or leased to the Company; and (c) has or has had any material interest in any contract or arrangement which is significant (as defined by the Regulations of The Stock Exchange in London) in relation to the business of the Company.

(ix) A certificate of exemption has been granted by the Council of The Stock Exchange in London under Section 418 of the Companies Act, 1948 of Great Britain.

(x) The original members of the Consultative Council have agreed to serve for a nominal remuneration of Cr$10 until the first Annual General Meeting of the Company. Thereafter the remuneration of the members of the Council will be fixed in General Meeting.

(xi) Price Waterhouse Peat & Co. have given and not withdrawn their written consent to the issue of this document with a copy of their Report included herein in the form and context in which it is included.

(xii) The time for the opening of the subscription lists is 9 a.m. on 28th January, 1976.

(xiii) The documents attached to the copy of this document delivered to the Registrar of Companies in England for registration are the written consent and copies of the Material Contracts referred to above.

(xiv) The preliminary expenses incurred on the formation of the Company are estimated at Cr$30,000 and have been paid by Unibanco. These expenses will be repaid by the Company.

(xv) This document shall have the effect where an application is made in pursuance thereof of rendering all persons concerned bound by provisions corresponding to the provisions (other than the penal provisions) of Sections 50 and 51 of the Companies Act, 1948, of Great Britain, so far as applicable.

Documents for Inspection

Copies of the following documents (together with a certified English translation of those documents which are in Portuguese) may be inspected at the offices of Norton, Rose, Botterell & Roche, Kempson House, Camomile Street, London EC3A 7AN during normal business hours until 9th February, 1976:—

(i) The Corporate Statutes of the Company.

(ii) The Material Contracts referred to above.

(iii) A letter dated 12th January, 1976 from Valeurs White Weld S.A. to the Company, relating to the establishment of facilities in Geneva for over-the-counter trading of the Depositary Shares.

(iv) The Report dated 19th January, 1976 on the Company by Messrs. Price Waterhouse Peat & Co. together with their written consent referred to above.

(v) The Legislation and the Brazilian Company Law (Decree Law 2627).

Dated 19th January, 1976

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
1M	1S	Exch. 6½pc 1976‡‡	99½	28.7	6.52	9.77
15F	15A	Treasury 6½pc 1976‡‡	98⅜xd	9.1	6.61	10.87
1M	1S	Victory 4pc 1976‡‡	98⅝	28.7	4.04	—
14J	14D	Treasury 10½pc 1976‡‡	100½	7.11	10.46	9.99
10M	10S	Treasury 6¾pc 1977‡‡	96¼	4.8	6.49	9.66
15M	15S	Electric 3pc '74-77	95⅜	11.8	3.14	7.31
26M	26S	Treasury 11½pc '77‡‡	101¾	20.8	11.30	10.27
15M	15N	Treasury 3pc '77‡‡	93¼	9.10	3.22	7.02
20J	20D	Transport 4pc '72-77	93¼	13.11	4.29	7.87
15M	15S	Treasury 9pc 1978‡‡	96¼	11.8	9.36	11.04
14J	14J	Treasury 10½pc '78‡‡	99⅛	8.12	10.59	10.89
26M	26S	Exchequer 5pc '76-78‡‡	92	20.8	5.43	8.39
9M	9S	Treasury 11½pc '79‡‡	101	4.8	11.38	11.09
17M	17S	Treasury 3pc '79‡‡	85	11.8	3.53	7.80
26M	26S	Electric 4¼pc '74-79	86½	20.8	4.91	8.61
1M	1N	Treasury 10½pc '79‡‡	97¼	25.9	10.80	11.39
1M	1N	Do. 10½ 1979 'A'	97¼	—	10.80	11.39
15M	15N	Electric 3½pc '76-79	86½	9.10	4.06	7.77
3M	3S	Treasury 9pc 1980‡‡	92¾	28.7	9.70	11.25
14M	14N	Treasury 9½pc '80‡‡	93⅛	8.10	10.19	11.55
14M	14N	Treas. 9½ 1980	93⅛	—	10.19	11.57
15J	15D	Treasury 3½pc '77-80	85½	10.11	4.09	7.42
15J	15D	Funding 5¼pc '78-80‡‡	87⅛	10.11	6.03	8.84
15J	15J	Treasury 11½pc 1981	100⅛xd	9.12	11.42	11.31
		Five to Fifteen Years				
15F	15A	Treasury 3½pc '79-81	84½xd	9.1	4.14	7.20
15J	15J	Do 8½pc '80-82‡‡	88⅛xd	9.12	9.65	11.28
17M	17S	Treasury 12pc 1983‡‡	104⅝	11.8	11.96	11.92
15J	15J	Funding 5½pc '82-84‡‡	77⅛xd	9.12	7.12	9.66
10J	10J	Treasury 8½pc '84-86‡‡	83¼	4.12	10.26	11.33
1M	1N	Funding 6½pc '85-87‡‡	72	25.9	9.22	11.16
26J	26J	Treasury 7¾pc '85-88‡‡	74⅛xd	22.12	10.42	11.79
1J	1J	Transport 3pc '78-88	49	25.11	6.15	10.44
15A	15O	Treasury 5pc '86-89	56½	8.9	9.08	11.62
15J	15J	Treasury 13pc 1990‡‡	97⅝	—	13.33	13.39
15J	15D	Treasury 8¼ 87-90‡‡	72½	10.11	11.53	12.56
		Over Fifteen Years				
5A	5O	Funding 5¾pc '87-91‡‡	57	1.9	10.42	12.33
22J	22J	Treasury 12¾pc '92‡‡	94½	16.12	13.51	13.62
14J	14J	Treasury 12½pc '93‡‡	92½	8.12	13.57	13.70
15M	15S	Funding 6pc 1993‡‡	54⅞	11.8	11.39	12.82
17M	17N	Treasury 9pc '94‡‡	71⅛	13.10	12.97	13.51
1M	1N	Gas 3pc '90/95	34¾	25.9	8.81	11.67
15M	15N	Treasury 12¾pc '95‡‡	95⅜	9.10	13.73	13.96
15M	15S	Treasury 9pc '92-96‡‡	72	11.6	13.10	13.55

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ DM Prices exclude inv. $ premium

AMERICANS

S.E. List Premium 66½% (based on $2.0255 per £)

CANADIANS

S.E. List Premium 66½% (based on $2.0255 per £)

Conversion factor 0.6098 (0.6031)

††BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER & ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Cont.

FOOD, GROCERIES, ETC.

HOTELS & CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا اصل الأصل

INDUSTRIALS—Continued

††INSURANCE

PROPERTY—Continued

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

AUSTRALIAN

TINS

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
July	Dec.	Killinghall	140	12.12	Q50.0	♦	35.7
Apr.	Dec.	London Tin 30p	150	3.11	7.0	1.3	7.2
Dec.	June	Malay Dredging	172	1.12	10.7	2.0	9.6
June	Dec.	ΔPahang	34	22.9	Qh2.6	♦	11.8
July	Jan.	Pengkalen 10p	45	3.11	7.0	♦	25.0
March		Petaling $M1	310	27.1	—	—	—
Jan.	July	Saint Piran	39	11.6	0.63	3.5	5.1
Apr.	Nov.	South Kinta (10p)	85	22.9	‡9.5	1.5	‡
June	Dec.	Sthn. Malayan	118	1.12	10.7	0.9	14.0
July	Dec.	Sungei Besi 25p	33	2.6	‡6.0	3.0	‡
Mar.	Oct.	Sungei Way $M1	29	9.74	ZQ10	—	6.0
Sept.	July	Tanjong 15p	48	28.7	4.0	♦	13.4
Jy Mar	Sep	Tongkah Hb $M1	50	31.1	Q23%	0.6	8.7
Apr.	Oct.	Tronoh	68	8.9	†4.02	3.5	9.1

COPPER

—		Botswana RST P2	60	—	—	—	—
June	Dec.	Messina R0.50	520	1.12	Q35c	1.9	6.8

MISCELLANEOUS

—		Burma Mine 17½p	8	19.5	m0.5	—	1.7
—		Charterhall 5p	35½	3.6.7	—	—	—
Aug.	Feb.	Cons. Murch. 10c	830	12.12	Q80c	♦	5.3
—	—	Laurasia	36	—	—	—	—
July		Northgate C$1	305	27.3	†Q25c	1.0	4.5
Jan.	June	R.T.Z.	197	17.11	g5.51	4.4	4.3
—		Sabina Inds. C$1	112	—	—	—	—
—		Stanford Mines¶	45	—	—	—	—
—		Tara Exptn. $1	£10⅝	—	—	—	—
—	—	Yukon Cons. C$1	92	11.6.5	—	—	—

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

Trusts, Finance, Land, etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

Δ Sterling denominated securities which include investment dollar premium.
■ "Tap" Stock.
• Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
† Interim since increased or resumed.
‡ Interim since reduced, passed or deferred.
‡‡ Tax-free to non-residents.
♦ Figures or report awaited.
†† Banks and Insurance: reserve allocations may preclude calculation of dividend cover.
# Price at time of suspension.
¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
** Free of Stamp Duty.
♦ Merger bid or reorganisation in progress.
♦ Not comparable.
♦ Same interim: reduced final and/or reduced earnings indicated.
§ Based on 1973 profits.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
♥ Excluding a final dividend declaration.
♦ Regional price.
‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. H Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 22

FINANCIAL TIMES
Monday January 26 1976

North Sea oil participation deal near

BY RAY DAFTER, ENERGY CORRESPONDENT

THE GOVERNMENT is expected to announce soon details of its first North Sea oil participation agreement. A deal, thought to involve a partner in the Thistle Field, is now imminent and it could well trigger a number of agreements among other members of the field's development consortium.

Negotiations are believed to be at an advanced stage with a number of companies, although the Department of Energy said yesterday that no final agreement had yet been signed.

It is thought in the oil industry that Tricentrol will be among the first to concede participation through a formal agreement, although it may not necessarily be the first deal to be announced.

So far, eight companies have agreed publicly to the principle of participation, although a number of other groups have also been discussing terms.

Those known to be agreeable to the concept of the State taking a 51 per cent. interest in their offshore commercial assets include BP, Burmah, Deminex, Tricentrol, Blackfriars, London and Scottish Marine Oil, Scottish Canadian Oil and Transportation, and Ranger. Burmah, operator of the Thistle Field, Deminex and Tricentrol all have a stake in the find which is due on stream next year.

£400m. spread

Tricentrol, for instance, has an 8.4 per cent. interest. The company is completing details for financing its share of the field's development cost—estimated at £400m., spread among the operating group.

The participation deal being negotiated with Tricentrol is thought to be based on an agreement by Tricentrol to sell 51 per cent. of its share of Thistle Oil production over the future at a strictly commercial price.

Such a deal would have particular value to Tricentrol, one of whose difficulties in raising outside finance for North Sea development has been the problem of obtaining a long-term sales contract to satisfy the bankers.

A deal based on long-term options on the oil production itself, besides satisfying the "no gain no loss" Government offer on participation, also reflects Lord Kearton's personal belief that State access to oil in a future time of possible shortage is far more important than participation in immediate development problems or a straight shareholding.

Approaches

Different approaches, on the other hand, are still being pursued with other groups, particularly with BP and other refining companies eager to have access to the oil themselves.

Although informal talks have taken place between the Government, Lord Kearton and the heads of the larger corporations, at the moment the Department of Energy seems content to concentrate on those "distress cases" who have already agreed the concept, in particular the partners in Thistle.

A major issue still outstanding in Thistle remains the role of Burmah, operator of the field.

The Department of Energy and the British National Oil Corporation (which will be responsible for handling the state's 51 per cent. interest negotiated through participation talks) would like to buy Burmah's share in Thistle.

This would give BNOC a controlling interest in one of Britain's most important fields. Burmah, on the other hand, has strongly resisted this move, maintaining that it would jeopardise its future. Consequently it seems that, for the time being, the Government will be content to buy Burmah's stake in the Ninian Field and agree participation terms on the Thistle holding.

Limit on catches key to cod talks

FINANCIAL TIMES REPORTER

THE cod war talks between Mr. Wilson and Mr. Geir Hallgrimsson, Icelandic Prime Minister, reach a crucial stage to-day.

Mr. Wilson has cleared his diary so that he can concentrate solely on the discussions and as a result will miss an important meeting of the Labour Party-TUC liaison committee at which the problems of growing unemployment will come up for debate.

And there are indications that Mr. Hallgrimsson wishes to get back to Iceland this evening.

Talks began over lunch at Chequers on Saturday and there adjourned just after six o'clock on that day. There was a general discussion and a number of questions were remitted to scientific and legal advisers.

The British and Icelandic advisers met yesterday to work on the answers. It is assumed that the questions were mainly concerned with the size of catch to which the British trawlers would have to limit themselves to aid conservation in the seas around Iceland.

The basis of the Icelandic case has been that unless the annual catches of cod are drastically cut supplies will be exhausted within four or five years.

Icelandic marine biologists estimate that the total catch of cod should be reduced from 370,000 to 230,000 tons a year. The British experts, who accept that the size of the offshore cod spawning stock is diminishing, feel, however, that a reduction to 300,000 tons would be adequate.

The experts' view on conservation seems to hold the key to a possible settlement.

After the discussions by the scientific and legal advisers broke up yesterday afternoon, Mr. Hallgrimsson went to the Foreign Secretary's official London residence for further talks with Mr. James Callaghan.

Angola retreat by S. Africans is confirmed

BY OUR FOREIGN STAFF

ON THE eve of to-day's Cape Town debate on South Africa's role in Angloa—at which a major policy statement is expected—Mr. Piet Botha, the Defence Minister, appeared to confirm Unita reports that South African troops are pulling back.

Dr. George Sangumba, Unita's Foreign Affairs Secretary, had claimed that South African forces were withdrawing from Angola. Responding to this report, Mr. Botha said over the week-end: "I have on various occasions stated that South Africa's involvement in Angola is part of the involvement of the free world. But I also stated that South Africa is not prepared to fight alone on behalf of the free world."

PM to speak

Mr. Botha's statement, combined with the reports from Unita, were the first official indication that South African forces have been involved in the Angola fighting. But the Defence Minister gave no indication of where the South African troops were withdrawing to.

It may be that after the defeat last week at Cela they are withdrawing to defend the Unita capital of Huambo. More likely, they are withdrawing to the far south of Angola to defend the installations on the Cunene River which are vital to the economy of Namibia (S.W. Africa)—and which were said to be South Africa's main reason for involvement in Angola.

A third possibility—but a most unlikely one in view of the defeat this would entail admitting—is that the South Africans are withdrawing into Namibia and abandoning Angola altogether.

South Africa is believed to have about 1,200 troops and technicians in Angola, fighting with Unita.

John Stewart reports from Cape Town: Mr. Botha said he would deal comprehensively with the question of South African involvement in Angola during the no-confidence debate in Parliament. Nationalist Government sources intimated to-day that the South African Prime Minister, Mr. John Vorster, would probably make a comprehensive statement on the Angola situation before the opening of the debate. It is likely that he will enter the debate in its closing stages on Friday, issuing replies to the many questions which are certain to be raised.

Nationalists stress that the reaction to South Africa's withdrawal is low key, but sombre. It indicates a keen sense of disappointment, possibly even betrayal, at the failure of the U.S. and to a lesser extent France to back up diplomatic assurances of support with overt assistance at a time when the MPLA seems set fair to crush southern resistance.

Major conflict

Nationalist parliamentarians believe this leaves South Africa with what can only be termed a "battle for survival." But the fact that South African involvement in Angola has failed to draw condemnation of at least half the members of the Organisation of African Unity is encouraging, they say, and will doubtless inspire Mr. Vorster to redouble efforts to maintain and consolidate friendships among these nations.

But the overall prospect, they say, remains grim, with the growing likelihood that, if the MPLA completes its victory in southern Angola, a full-scale conflict on the S.W. African border is on the cards.

UPI reports from Lusaka: Angolan Nationalist leader Jonas Savimbi said to-day that he was hopeful the U.S. and European Nations would give allied forces the sophisticated weapons they needed to stave off an imminent victory by Soviet-backed troops.

Slogans and shortages Page 4

THE LEX COLUMN

Institutions and the equity bank

Although a formal announcement of the City's support for Equity Investments Limited—the proposed banking organisation for channelling institutional funds into industry—may well be forthcoming within the next few weeks, there are still major reservations about the proposals. The worries focus around any possible conflict of interest between the institutions' fiduciary responsibilities as managers of private savings and a commitment to put money into companies with questionable financial prospects. These will not be finally resolved until EIL publishes a prospectus and starts operations, but before that happens the institutions have to be convinced that such an organisation is necessary.

Candidates

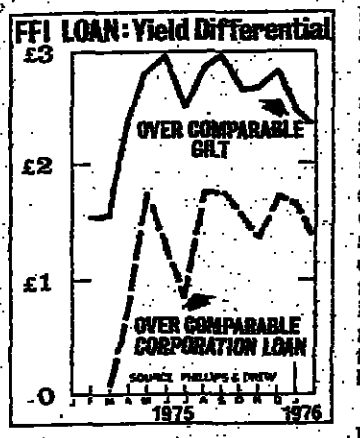
The working party examining the scheme has come up with seven categories of potential candidates for EIL funds. These include companies which cannot make rights issues for the technical reason that their share price is below par; unquoted companies; those which may be too highly geared to take on extra borrowing without new equity; and those which may be unattractive to underwriters because of recent bad results.

To judge by the quality of some recent successful rights issues, it is hard to believe that there are many viable businesses which cannot already get equity capital through existing market sources. Even if there are only a few, however, it could be argued that it is better to approach them on an organised rather than an ad hoc basis. And the working party suggests that the need will increase — as institutions increasingly concentrate their portfolios and weed out smaller companies, and when the expected upturn in trade starts to inflate working capital requirements.

But its case is significantly weakened by the way that its evidence has been drawn from a very narrow sector of the community. Of the dozen or so people who presented evidence, a CBI representative was about the only non-city man: merchant bankers wearing one hat or another accounted for two-thirds of the rest.

So this is almost exclusively a City affair, and that raises a number of questions about the management of the organisation and the motives behind it. Clearly it would be unreasonable to expect detailed management plans to be published until the future of EIL is assured: for the moment, the proposal is simply that there should be 11 directors, of which nine will be institutional repre-

FFI LOAN: Yield Differential



sentatives. But the City's track record in direct industrial management is not inspiring, and EIL could end up with very wide responsibilities.

It will have to assess credit risks and provide "after care" services. In addition there is a suggestion that it might become a focal point for institutional concern about particular investments, and make up a list of successful businessmen who would be prepared to devote part of their time to bolstering weak management. But the brief is not very precise. The intention is that EIL will not invest in lame ducks, yet it is not clear whether it would have to restrict itself exclusively to business that could not be handled by the existing facilities of the capital market.

As for special motives, the City is plainly sensitive to accusations about under-investment in industry, and is extremely concerned by the threat that if it is not seen to be doing something itself, then it might at some future date lose its freedom to control the funds under its management and be obliged to invest a portion at the Government's direction. The protagonists of the proposals insist that there is nothing political about their scheme. All the same, the desirability of allaying criticism of the City's investment rates high among the wor[king] party's arguments in favou[r of] the EIL, and individual ins[titu]tional investors are natu[rally] anxious to avoid rocking [the] boat—especially if the sch[eme] is going to get started whe[ther] they like it or not.

There is always a tempt[ation] to climb onto a band wagon[, but] the trouble in this instan[ce is] that there is no way of kno[wing] precisely where it is goin[g to] stop. The idea is that £50m. out of the autho[rised] capital of £500m. would be [put] up in the first place, and [the] shareholders would have [to] approve any subsequent ca[pital] increases. But no prov[ision] seems to have been made [for] cutting investments that [go] sour, or for re-examining [the] organisation after a perio[d of] time to see if it is fulfillin[g its] intended role. Once the sc[heme] gets under way, there are b[ound] to be pressures for it to [get] bigger.

Moreover, some of the pr[ivate] pension funds are conce[rned] about the possibility that [they] may have to take up more [than] their pro rata share. [The] suggestion is that the pe[nsion] funds will put up £17m. o[f the] initial tranche. The insu[rance] companies and life offices [will] put up a similar figure, [while] the investment trusts will [put up] for £8m., and the unit t[rusts] and FFI for £4m. each. [The] gross funds' special tax req[uire]ments are expected to be ac[com]modated by setting up a [form] of exempt unit trust a[s a] separate body. But, if, as s[eems] likely, some funds are opp[osed] to the scheme, the big ones [will] be asked to come across [with] more to make up the numb[er].

Support

If EIL is to be a succes[s it] is going to need the active [sup]port of its shareholders, [not] just their half hearted co[mpli]ance. There is no way for [out]siders to measure the stre[ngth] of support for the scheme, [since] the debate so far has been [con]ducted behind closed doors. [But] there is an unhappy prec[edent] for this kind of discreet l[end]ing in the shape of last [year's] FFI loan—launched unde[r the] aegis of the Bank of En[gland] at a price which was q[uickly] shown to be unrealisti[c. It] would be very sad if the[y] were to make the same m[istake] again.

Government reluctant to add to personal taxation—Crosland

FINANCIAL TIMES REPORTER

MR. ANTHONY CROSLAND, Secretary for the Environment, has given a clear indication of the Government's reluctance to add to the burden of personal taxation.

"Higher taxes on the rich would yield only limited sums of additional revenue. And, in any event, more and more taxes inevitably fall on the ordinary worker," he told delegates to the Labour Party's Local Government Conference in Cardiff.

"Even if we think that increasing the rate of taxes is morally acceptable, we need to be sure it is politically acceptable. If we cut people's take-home pay still further and expand the frontiers of taxation too far too fast, we shall simply get the electoral boot."

A report published to-day by the Low Pay Unit blames high taxation levels for causing poverty. The report, by Mr. Ralph Howell, Conservative MP for Norfolk North, claims that people start to pay tax while still below the poverty line.

"We have a situation in which the poorest families have little incentive to raise their earnings —and at a time when the Government is calling for maximum effort from the working population to help the country through economic crisis," states Mr. Howell.

He suggests the Government should raise the tax threshold and lay down a minimum wage equivalent to two-thirds of the average national wage which is £40 a week at present.

"We should aim to provide a floor on which wage-earners can build a better standard of living."

A Lloyds Bank publication has taken up a similar theme to-day. It claims the Government is now taking over half the average pay packet in taxes to pay for its own spending.

Mr. W. Reay Tolfree, in "Money, the facts of life," says his researches showed that between 40 and 50 per cent. of all incomes was collected by the authorities in taxation in one way or another. "Since then it has gone up by another 10p in the pound—the latest estimate is between 50 and 60 per cent."

The Government would say that the public gets some of the tax back as the "social wage," in free services. "This is true for parents with children being educated by the State or when you are ill or unemployed and receiving social benefit. But the social wage does not amount to much for the healthy single man or woman or the couple whose children have grown up."

In his speech, Mr. Crosland told the Cardiff conference that he did not think local government spending had suffered disproportionately from the need for restraint in public spending generally.

The present situation might turn out to be "a blessing in disguise" in that local government would be able to "pause and reflect on priorities." During the recent years of very rapid growth, decisions on priorities were perhaps blurred, he suggested.

Weather

U.K. TO-DAY

A COLD northerly airstream will persist and most parts will have sunny spells and wintry showers.

London, E. Anglia, S.E., East and N.E. England

S. England, Midlands, N.W. England, Lakes, North England

Snow showers with some sunny spells. Wind fresh northerly. Night frost. Max. 1C (34F).

Channel Isles, S.W. England, S. Wales

Cloudy with some rain or sleet. Fresh N. wind. Max. 3C (37F).

N. Wales, N.W. Scotland, N. Ireland, Isle of Man

Cloudy with some rain or sleet. Fresh northerly wind. Frost at night. Max. 1C (34F).

Borders, Edinburgh, Aberdeen, The Highlands, N.E. Scotland, Orkney, Shetland

Snow showers with sunny spells. Light or moderate N. wind. Widespread frost. Max. 1C (34F).

Outlook: Cold in the East with sleet and snow. Rather cold in the West with some rain or sleet.

Lighting-up: London 17.07, Manchester 17.03, Glasgow 17.06, Belfast 17.18.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Alexandria.	S	19	66	Madrid	S	5	41
Amstrdm.	F	2	36	Manchstr.	F	1	34
Athens	F	17	63	Melbourne	R	19	66
Bahrain	C	18	64	Mexico C.	S	17	63
Barcelona	S	8	46	Milan	S	7	45
Belfast	F	1	34	Montreal	S	−2	28
Belgrade	Sn	0	32	Moscow	C	−5	23
Berlin	C	−4	25	Munich	F	−1	30
Birmghm.	S	1	34	Newcastle	C	0	32
Bristol	S	1	34	New York	S	0	32
Brussels	F	2	36	Oslo	F	0	32
Budapest	F	0	32	Paris	C	2	36
B. Aires	S	26	79	Perth	S	34	93
Cairo	S	20	68	Prague	Sn	0	32
Cardiff	S	1	34	Reykjavik	C	3	37
Cologne	C	2	36	Rio de J'o	S	35	95
Copnhagn.	S	−1	30	Rome	S	12	54
Dublin	F	2	36	Singapore	S	30	86
Edinb'gh	F	1	34	Stockholm	C	−5	23
Frankfurt	Sn	0	32	Strasb'rg	Sn	−1	30
Geneva	F	1	34	Sydney	S	23	73
Glasgow	S	2	36	Tehran	S	10	50
Helsinki	S	−8	18	Tel Aviv	S	20	68
H. Kong	S	17	63	Tokyo	C	7	45
Jo'burg	C	25	77	Toronto	Sn	−9	16
Lisbon	S	9	48	Vienna	F	2	36
London	C	1	34	Warsaw	C	−3	27
Luxembg.	Sn	−1	30	Zurich	F	−1	30

HOLIDAY RESORTS

Ajaccio	F	10	50	Jersey	H	3	37
Algiers	C	13	55	Las Plms.	S	19	66
Biarritz	F	4	39	Locarno	S	5	41
Blackpool	S	2	36	Majorca	C	8	46
Bordeaux	S	3	37	Malaga	S	11	52
Boulogne	C	1	34	Malta	F	15	59
Casablnca.	C	13	55	Nairobi	S	24	75
Cape Town	C	28	82	Naples	F	13	55
Corfu	C	15	59	Nice	C	7	45
Dubrovnik	F	12	54	Nicosia	C	14	57
Faro	S	12	54	Oporto	S	7	45
Florence	C	7	45	Rhodes	C	15	59
Funchal	R	14	57	Salzburg	S	−2	28
Gibraltar	S	11	52	Tangier	F	12	54
Guernsey	C	2	36	Tenerife	F	15	59
Innsbruck	S	−1	30	Tunis	F	13	55
Inverness	F	1	34	Valencia	C	10	50
I. of Man	S	2	36	Venice	F	5	41
Istanbul	C	13	55				

S—Sunny. F—Fair. C—Cloudy. R—Rain. Sn—Snow. H—Hail.

New order takes hold in Lebanon

BY IHSAN HIJAZI — BEIRUT, Jan. 25.

A NEW political order is gradually taking hold in Lebanon as steel-helmeted troops of the Syrian-backed Palestine Liberation Army (PLA) patrol the predominantly Moslem districts of the capital.

The Syrian political delegation, led by Mr. Abdel Halim Khaddam, vice-Premier and Foreign Minister, yesterday persuaded Mr. Rashid Karami, the Lebanese Prime Minister, to withdraw his resignation. The delegation's next task is to persuade the Lebanon's Christian leadership to accept the Damascus-imposed solution to the nine-month-old crisis.

Mr. Karami met President Suleiman Franjieh after holding consultations with other Moslem leaders in the presence of the Syrian team.

Responsible

Mr. Karami indicated that his eventual intention is to expand his present six-man Government to include represenatives of the parties concerned in the conflict.

The immediate objective of re-installing the cabinet, however, is to establish a responsible authority that will take charge of the country and implement the political aspects of the agreement.

Simultaneously, the Lebanese Army Command has been working hard on regrouping the army while the Internal Security Department has been trying to regroup the national police force. Both forces were dispersed at the time of the heavy fighting in all parts of the country which preceded the announcement of agreement on Thursday as a result of the Syrian mediation.

While hundreds of troops of the PLA maintained order in the Moslem areas and kept armed civilians off the streets, 50 Syrian army officers have joined the 23 sub-committees in charge of enforcing the ceasefire in all parts of Lebanon.

Looted

They are controlled by the six-man Higher Military Committee formed of two Lebanese officers, two Syrian officers and two Palestinian representatives. The sub-committees now include representatives from the two main Right-wing Christian groups, the Phalangist Party and the National Liberal Party.

Although the ceasefire is generally holding, certain incidents have caused a great deal of concern. A fierce clash yesterday between Moslem and Christian forces in the Beirut suburbs of Chiyah and Ain al Rummaneh was reported to have left 25 people dead and 70 wounded.

In the evening, armed men broke into the country home of Mr. Camille Chamoun, the Interior Minister, at Al Saadiyat, 15 miles south of here, looted it and then set it on fire.

Robert Graham reports from Damascus: Mr. Khaddam has been instructed by President Assad to remain in Beirut until his mediation mission has managed to achieve a broad and firm agreement on political reforms in the Lebanon.

Syria's involvement Page 5

Continued from Page 1

Labour split may widen

ployment rather than for any general reflation which they have been persuaded by Mr. Healey is not feasible yet.

In addition, despite growing complaints from their members about the level of unemployment, the union leaders will also do nothing to endanger the social contract relationship between the Government and the TUC.

But they are aware that it will become increasingly difficult for them to hold this co-operative line unless the Government does take some fairly dramatic action.

This was illustrated yesterday when the national executive of the National Union of Public Employees, which opposed the £6 policy last summer, forecast that unemployment would rise on present trends by the end of this year to 1½m., and demanded immediate Government action.

This view is likely to be developed into a more hostile line by NUPE during the next couple of months.

The package of measures which men like Mr. Jack Jones, of the Transport Workers, and Mr. David Basnett, of the General and Municipal Workers, will be demanding to-day covers items which the TUC has been developing for some time.

The TUC also wants sections of the Employment Protection Act on the advance notification and consultation of redundancies to be introduced next month.

Other items include Government financial help for stock-building i nthe machine tool and other industries, a boost for house-building, increased expenditure on training, and allocation of more money for Industry Act Provisions.

These measures will be urged on Ministers to-day in the Liaison Committee, but there is no sign of any major row breaking out over unemployment or ver pay policy, despite Mr. Jones's references last week to continuing the £6 flat rate system beyond the end of the present pay policy in August.

Mr. Jones's idea came in for a storm of criticism from a wide range of union leaders of white-collar and professional workers, as well as from Mr. Joe Gormley of the Miners.

Hambro Life plans SE quotation

BY KEITH LEWIS, CITY STAFF

PREPARATIONS are being made to obtain a Stock Exchange quotation for Hambro Life Assurance, generally recognised as the fastest growing U.K. life company.

No formal steps have been taken, although there have been preliminary soundings in the market and the likely timing of the flotation is in early summer, after the group's preliminary figures have been published.

Hambro Life, which was formed five years ago by Mr. Mark Weinberg after his departure from Abbey Life with seven other executives, is thought likely to attract a price tag of at least £30m., and possible as high as £50m.

Mr. Weinberg, along with family trusts, holds about 10 per cent. of the equity, while Hambros Bank has a stake of 56 per cent. The remainder is in the hands of some 400 other executives and employees.

Since formation in 1971, Hambro Life has grown rapidly, mainly through the sale of unit-linked life assurance policies.

The latest figures show that in 1975 annual premium income rose by 79 per cent. to almost £40m. Net assets now exceed £300m. of which the major part is taken up by the life fund and, while the profit and loss account will probably not be published until April, some outside estimates of the company's pre-tax profits in 1975 range as high as £4m.

Mr. Weinberg has made it clear from the outset that it was his aim to achieve a public quotation for the company and, now that a five-year profit record has been established, only the question of the exact timing remains.

There could be some difficulties in pricing the issue since Hambro will represent the only quoted "unit-linked" life office.

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